HENGXIN TECHNOLOGY LTD

ANNUAL REPORT 2011

Stock Code 1085

Contents

Corporate Profile

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

Based in Yixing city in Jiangsu Province, we have an aggregate annual production capacity of approximately 148,770 kilometres for RF coaxial cables for mobile communications.

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

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

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

PRODUCT PORTFOLIO

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

- Transmission of high-frequency signals between antenna and base station equipment in outdoor base station wireless signal coverage system and indoor wireless signal coverage system in buildings
- Used in radiating high frequency signals to surrounding environment through continuous small antenna elements along the cable in railways, highways, tunnels, underground car parks, elevators and high rise buildings

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

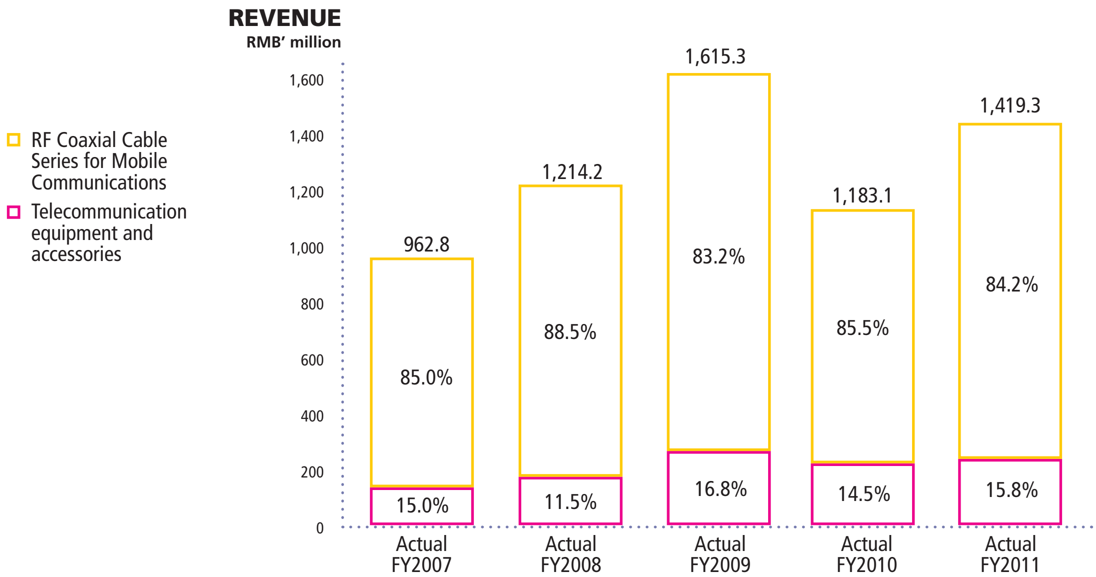
- Transmission of signals within microwave communications systems, radio broadcast wireless systems and air/sea radar systems
- Accessories to wireless signal coverage system for base stations

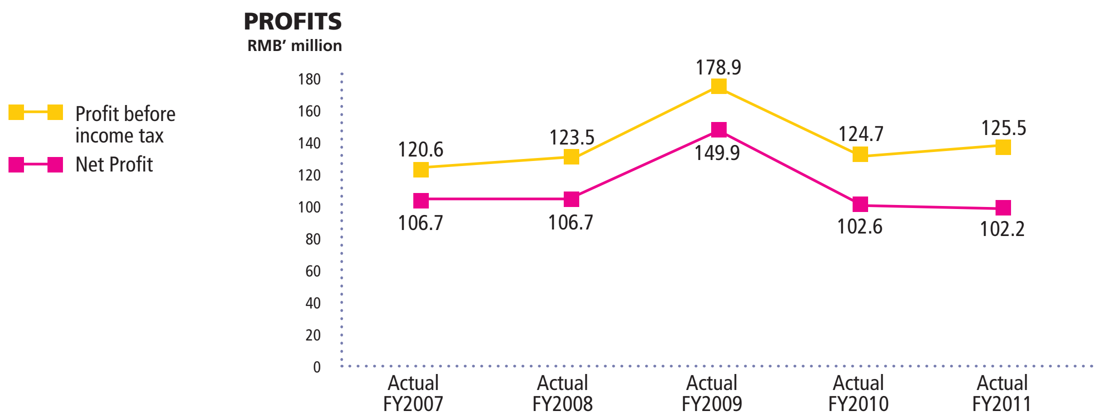
Five-Year Financial Summary

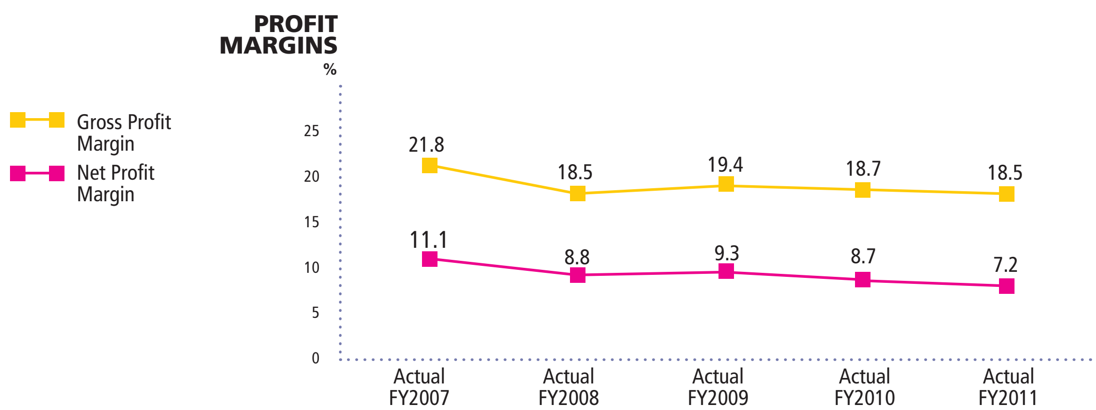
A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

	Year ended 31 December				
	2007 RMB '000 (Re-stated)	2008 RMB '000 (Re-stated)	2009 RMB '000 (Re-stated)	2010 RMB '000	2011 RMB '000
RESULTS					
REVENUE	962,824	1,214,179	1,615,265	1,183,131	1,419,327
Cost of sales	(752,769)	(988,960)	(1,302,579)	(961,470)	(1,157,224)
Gross profit	(752,769)	225,219	312,686	221,661	262,103
Other income	5,976	7,405	7,557	15,292	7,405
Distribution and selling expenses	(35,681)	(48,530)	(82,768)	(55,841)	(62,522)
Administrative expenses	(28,113)	(30,459)	(35,142)	(36,256)	(41,108)
Other operating expenses	(7,894)	(8,368)	(7,390)	(10,404)	(27,147)
Finance costs	(23,764)	(21,743)	(16,013)	(9,723)	(13,203)
Profit before income tax	120,579	123,524	178,930	124,729	125,528
Income tax expense	(13,880)	(16,781)	(29,064)	(22,174)	(23,279)
NET PROFIT	106,699	106,743	149,866	102,555	102,249
ASSETS AND LIABILITIES					
TOTAL ASSETS	866,214	1,058,187	1,365,788	1,249,548	1,471,549
TOTAL LIABILITIES	(430,745)	(526,909)	(690,124)	(396,839)	(532,575)
	435,469	531,278	675,664	852,709	938,974

Financial Highlights







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Financial Ratios & Performance

Financial Performance	Unit	FY2007	FY2008	FY2009	FY2010	FY2011
Revenue	RMB '000	962,824	1,214,179	1,615,265	1,183,131	1,419,327
Gross margin	%	21.8	18.5	19.4	18.7	18.5
Profit before income tax	RMB '000	120,579	123,524	178,930	124,729	125,528
Income tax expense	RMB '000	13,880	16,781	29,064	22,174	23,279
Net profit	RMB '000	106,699	106,743	149,866	102,555	102,249

Financial Position	Unit	FY2007	FY2008	FY2009	FY2010	FY2011
Net assets	RMB '000	435,469	531,278	675,664	852,709	938,974

Financial Ratios	Note	Unit	FY2007	FY2008	FY2009	FY2010	FY2011
Earnings per share		RMB cents	31.8	31.8	44.6	30.4	26.4
Net asset per share		RMB	1.30	1.58	2.01	2.53	2.42
Return on total equity		%	24.5	20.1	22.2	12.0	10.9
Debt/equity ratio	a	%	17.7	15.2	4.1	(24.3)	(10.0)
Interest cover ratio	b	times	6.1	6.7	12.2	13.8	10.5
Current ratio	c	times	1.8	1.8	1.7	2.2	2.4
Trade receivables turnover		days	179	151	147	212	179
Inventory turnover		days	45	41	43	60	42

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

Chairman's Message

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

Dear Shareholders,

It gives me great pleasure to present you with Hengxin Technology's annual report for the full year ended 31 December 2011 ("FY2011"). We have done reasonably well as a Group, despite the global effects of the Eurozone debt crisis, and a challenging operating environment encountered by the telecommunications industry in the PRC and India – two key markets where we operate in.

THE YEAR IN REVIEW

During the year in review, boosted by higher overall demand from telecommunications operators for our two key product segments – RF Coaxial Cables and Telecommunication and Accessories, the Group's revenue increased 20.0% to RMB1,419.3 million. Sales of RF Coaxial Cables and Accessories improved 18.1% and 30.8% to RMB1,194.9 million and RMB224.3 million respectively.

Our continued focus on our cost control programme which explores viable ways to reduce raw material costs, enhance productivity through better logistics coordination, as well as obtain better pricing and payment terms has contributed to a relatively stable gross profit margin at 18.5% compared with 18.7% last year.

Notwithstanding the above results we have achieved, net profit in FY2011 declined marginally by 0.3% to RMB102.2 million. The Group would have reported a higher net profit if not for several non-performance related factors such as lower government grants awarded to our subsidiary Jiangsu Hengxin Technology Co., Ltd, foreign exchange ("FOREX") losses exacerbated by the large swings in FOREX rates arising from the Eurozone debt crisis, and higher interest rates on our borrowings. More details will be shared in the next section of this annual report – Management Discussion and Analysis.

OUR CHALLENGES AND OPPORTUNITIES AHEAD

Undoubtedly, the two emerging trends in the telecommunications industry - mobile networks consolidation and increasing competition - will continue to put a downward pressure on our selling prices and profit margins. The challenge is for the Group to remain vigilant of industry trends and explore investment and business opportunities to support the growth of the Group.

Chairman's Message (cont'd)

According to statistics provided by China Mobile, China Unicom and China Telecom, the number of 3G subscribers in the PRC has more than doubled from 47.1 million as at 31 December 2010 to 127.5 million as at 31 December 2011. This phenomenal growth is due to increased smartphone penetration as subscribers become more technologically savvy, as well as the growing popularity of cloud computing. These two factors heighten the demand for mobile phone data traffic, which in turn drives the telecommunications operators to expand their mobile networks to support mobile data growth.

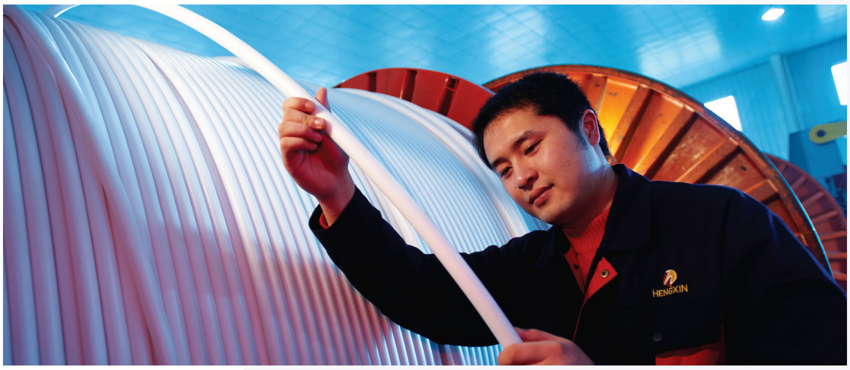
While this may appear like good news for the mobile communications industry, we are also mindful of the challenges faced by our customers who have been witnessing declining average revenue per user ("ARPU") over the years, leading to cost reduction exercises from its mobile communications equipment suppliers while increasing network optimisation.

The key for us is to work hand in hand with our customers through understanding their ongoing needs and, through research and development, continually explore cost effective ways to improve the quality of our products.

In India, against the backdrop of an extremely competitive landscape and the fact that India has one of the lowest ARPU in the world, telecommunications operators are facing one of the most challenging times. This is exacerbated by the tougher telecommunications regulations in the country. Correspondingly, our sales have slowed down in the second half of FY2011 due to various regulatory issues raised by the Indian authorities. While we continue to put our best foot forward and look for creative ways to augment our sales in India, we are also deeply aware that our operations in this country is dependant on whether the Indian regulatory bodies will continue with its tough stance – such as restricting telecommunications operators' ability to boost revenue through charging higher-paying services. This will affect the demand for our products.

To mitigate our geographic risks and strengthen our earnings stream, we are looking to step up our sales and marketing efforts and expand our clientele base, beyond India and the PRC, focusing on countries with a fast-growing telecommunications market.

We will push ahead with our cost control measures and this will hopefully alleviate



the impact of the expected strengthening of the Renminbi, rising costs of labour and the fluctuation of raw materials prices such as copper and aluminium. Nonetheless, due to the high costs of certain raw material components, we have put on hold the production of high temperature resistant cables.

ANTENNA MANUFACTURING LINE

The Group is targeting to complete the building of our antenna manufacturing line, together with the testing facility by mid FY2012. Subject to our ability to complete the vigorous and mandatory quality assessment and thereafter submit our tender in time, we hope to commence manufacturing in the second half of FY2012 barring unforeseen circumstances, albeit a potential relatively lower demand due to the Company's first year of product launch. This will widen our product offerings and further strengthen the quality of our revenue stream.

CONCLUSION

Amidst the difficult business conditions and an uncertain global economy caused by the Eurozone debt crisis, we are heartened that the Group has remained profitable in FY2011. We are also thankful for having loyal shareholders, like you, who have continued to place your trust in the Company.

On behalf of the Board of Directors, I would like to thank all our staff for their hard work and unwavering commitment to the Company. I look forward to another year of camaraderie with all staff as we work hand in hand to steer the Group to new heights.

CUI GENXIANG
Executive Chairman

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Management Discussion & Analysis

REVENUE

Group revenue for the financial year ended 31 December 2011 increased by approximately RMB236.2 million, or approximately 20.0% from RMB1,183.1 million in the previous financial year to approximately RMB1,419.3 million in the current financial year. Such increase was due to an overall higher demand by the telecom operators during the financial year which boosted both sales in RF Coaxial Cables and Accessories.

RF COAXIAL CABLE

Revenue generated from RF Coaxial Cables increased by approximately RMB183.3 million or approximately 18.1% from approximately RMB1,011.6 million in the previous financial year to approximately RMB1,194.9 million in the current financial year.

ACCESSORIES

Revenue generated from Accessories increased by approximately RMB52.8 million or approximately 30.8% from approximately RMB171.5 million in the previous financial year to approximately RMB224.3 million in the current financial year.

GROSS PROFIT MARGIN

The Group was able to maintain a relatively steady gross profit margin during the financial year ended 31 December 2011 at approximately 18.5% compared to approximately 18.7% in the previous financial year. Cost control measures are continuously undertaken and monitored by the management. This includes the reduction of raw materials costs, increase in productivity, vigilant suppliers selection for better logistics coordination, better pricing and payment terms.

OTHER INCOME

Other income decreased by approximately RMB7.9 million or approximately 50.3% from approximately RMB15.3 million in the previous financial year to approximately RMB7.4 million in the current financial year. The decrease is due to outright government grants amounting approximately RMB7.9 million being given to the Group's key subsidiary, Jiangsu Hengxin Technology Co. Ltd in 2010 as against an amount of only RMB1.0 million in 2011.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by approximately RMB6.7 million or approximately 12.0% from approximately RMB55.8 million in the previous financial year to approximately RMB62.5 million in the current financial year ended 31 December 2011. The increase was in line with the Group's higher sales achieved during the financial year.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately RMB4.8 million or approximately 13.2% from approximately RMB36.3 million in the previous financial year to approximately RMB41.1 million in the current financial year ended 31 December 2011. The increase was mainly due to increase in business related activities commensurate with higher revenue levels.

OTHER OPERATING EXPENSES

Other operating expenses increased by approximately RMB16.8 million or approximately 161.5% from approximately RMB10.3 million in the previous financial year to approximately RMB27.1 million in the current financial year ended 31 December 2011. The increase was mainly due to foreign exchange losses exacerbated by the large swings in foreign exchange rates which arose from the recent financial crisis, at RMB11.8 million compared to RMB0.4 million in the previous financial year,. The increase in expenses were further contributed by higher R&D expenses incurred during the year in response to improvement on technical specifications of our products. Such R&D expenses were RMB14.1 million in the current financial year compared to RMB7.1 million in the previous financial year.

FINANCE COSTS

Finance costs increased by approximately RMB3.5 million or approximately 36.1% from approximately RMB9.7 million in the previous financial year to approximately RMB13.2 million in the current financial year ended 31 December 2011. The reduction in liquidity in the PRC financial market led to an increase in interest rates on borrowings, and together with the increase in borrowings, contributed to the increase in finance costs during the financial year.

PROFIT BEFORE INCOME TAX

Contributed by the above factors, profit before income tax increased by approximately RMB0.8 million or approximately 0.6% from approximately RMB124.7 million in the previous financial year to approximately RMB125.5 million in the current financial year ended 31 December 2011.

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. The increase in income tax expenses is due to the overall increase in profit before tax for the financial year. Accordingly, income tax expense increased by approximately RMB1.1 million or approximately 5.0% from approximately RMB22.2 million in the previous financial year to approximately RMB23.3 million in the current financial year ended 31 December 2011.

NET PROFIT

In view of the above, net profit attributable to equity holders of the parent decreased approximately RMB0.4 million from approximately RMB102.6 million in 2010 compared to approximately RMB102.2 million in 2011.

STATEMENT OF FINANCIAL POSITION

PLEDGED BANK DEPOSITS

Pledged bank deposits are used as a pledged against commercial bills used for payment to suppliers. The decrease by approximately RMB9.7 million from approximately RMB62.6 million as at 31 December 2010 to approximately RMB52.9 million as at 31 December 2011 was due to a lower amount of bank deposits required to be set aside as securities for a correspondingly lower amount payable in the form of commercial bills to suppliers.

TRADE RECEIVABLES

Trade receivables increased by approximately RMB107.9 million from approximately RMB626.7 million as at 31 December 2010 to approximately RMB734.6 million as at 31 December 2011.

Average trade receivables turnover days are 179 days as at 31 December 2011 compared to 212 days as at 31 December 2010. Efforts by the Group during the year to increase collection which resulted in a lower trade receivables turnover days as at the end of the financial year.

OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments increased by approximately RMB15.3 million from approximately RMB13.0 million as at 31 December 2010 to approximately RMB28.3 million as at 31 December 2011. The increase in balance is mainly due to a higher amount of advanced payment made to certain suppliers as at 31 December 2011.

INVENTORIES

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB7.5 million from approximately RMB128.4 million as at 31 December 2010 to approximately RMB135.9 million as at 31 December 2011. This is in anticipation of deliveries prior to the Chinese New Year in 2012.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment increased by approximately RMB16.9 million from approximately RMB141.0 million in 31 December 2010 to approximately RMB157.9 million as at 31 December 2011 due to the construction of a new building in the premises of our PRC subsidiary arising from the need for more office space by the Group.

AVAILABLE-FOR-SALE INVESTMENT

The Group invested a 10% equity stake in a PRC-based company during 3Q2011. The PRC-based company is also in the telecommunications industry, and the Group believes that the business of the investee company is able to complement its existing business moving forward.

SHORT-TERM BANK LOANS

Short-term bank loans increased by approximately RMB190.0 million from approximately RMB40.0 million in 31 December 2010 to approximately RMB230.0 million as at 31 December 2011 as the need for more working capital arising from the higher demand for the Group's products and the reduction in available liquidity in the PRC resulted in a higher amount of loans obtained during the year. The bank loans are charged at a fixed interest rate.

TRADE PAYABLES AND OTHER PAYABLES

Trade payables decreased by approximately RMB64.8 million from approximately RMB323.3 million as at 31 December 2010 to approximately RMB258.5 million as at 31 December 2011 in line with the decrease in purchases for raw materials during the period.

Other payables and accruals increased by approximately RMB3.2 million from approximately RMB25.5 million as at 31 December 2010 to approximately RMB28.7 million as at 31 December 2011 as a result of certain payments to be made for the construction of the new office building.

INCOME TAX PAYABLE

Income tax payable increased by approximately RMB6.7 million during the period as income taxes for 3Q2011 had yet to be paid to the income tax authorities. It was subsequently paid off in January 2012.

CASH AND BANK BALANCES

Cash and bank balances increased by approximately RMB76.6 million from RMB247.1 million to approximately RMB323.7 million mainly due to higher loans obtained during the year.

SUBSIDIARIES

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

Management Discussion & Analysis (cont'd)

FINANCIAL RESOURCES, LIQUIDITY AND LIABILITY POSITION

As at 31 December 2011, the Group's total assets were approximately RMB1,471,549,000 (2010: RMB1,249,548,000) (of which, current assets were approximately RMB1,275,916,000 (2010: RMB1,080,271,000) and non current assets were approximately RMB195,633,000 (2010: RMB169,277,000)) and the total liabilities were approximately RMB532,575,000 (2010: RMB396,839,000) (of which, current liabilities were approximately RMB529,979,000 (2010: RMB394,841,000) and non-current liabilities were approximately RMB2,596,000 (2010: RMB1,998,000)), and shareholder's equity reached approximately RMB938,974,000 (2010: RMB852,709,000).

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

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

	As at 31 December	
	2011	2010
	RMB'000	RMB'000
Net cash borrowings	**(93,710)**	(207,078)
Total equity	**938,974**	852,709
Net debt to equity ratio (%)	**(9.98)**	(24.28)

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

	As at 31 December 2011		As at 31 December 2010	
	Secured	**Unsecured**	**Secured**	**Unsecured**
	RMB'000	RMB'000	RMB'000	RMB'000
	-	230,000	-	40,000

There is no amount repayable of more than one year.

FOREIGN CURRENCY EXPOSURE

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

CAPITAL COMMITMENTS

As at 31 December 2011, the capital commitments of the Group in respect of the purchase of property, plant and equipment, and a donation commitment to a charity association which is payable in equal installments over a period of 20 years at RMB 500,000 per annum, which had been contracted but not provided for in the financial year of FY2011, were RMB 6,258,000 (2010: RMB 14,590,000) and RMB 7,500,000 (2010: RMB 8,000,000) respectively.

PLEDGE OF ASSETS

As at 31 December 2011, the Group did not pledge any assets (2010: Nil) as securities for banking facilities granted by its bankers.

CONTINGENT LIABILITIES

As at 31 December 2011, certain constructions were built on a piece of land located in the PRC (the "**No. 5 Land**") amounting to approximately RMB 31.6 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. At the end of the reporting period, the management remains committed to secure the No. 5 Land.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2011, there were 698 (2010: 661) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical and life insurance, and grants discretionary incentive bonuses and share options to eligible staff based on their performance and contributions to the Group.

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

MATERIAL LITIGATION AND ARBITRATION

As at 31 December 2011, the Group was not involved in any material litigation or arbitration.

FUTURE PROSPECTS

According to statistics provided by the three major Chinese telecom operators China Mobile, China Unicom and China Telecom, the number of 3G subscribers in the PRC has now reached a total of 127.5 million as at 31 December 2011, compared to only 47.1 million as at 31 December 2010. The growth in 3G subscribers is largely driven by the expansion of smartphones' penetration to the lay mobile subscribers.

With the proliferation of smartphones across China and the introduction of cloud computing, the demand for mobile phone data traffic remains increasingly high, further driving the expansion of mobile networks.

Nonetheless, the average revenue per user ("ARPU") has been decreasing steadily in the PRC, and telecom operators are exploring ways to reduce costs, which includes cutting down network expansions while increasing network optimisation. In addition, the older networks which rely on Radio Frequency ("RF") systems will be gradually replaced with better and higher quality RF cabling systems at even lower costs. In this aspect, the Group is working continuously to improve its quality while mindful of the costs to customers. We will however, continue to closely monitor market and industry developments so that we can respond quickly and effectively to relevant changes.

India continues to be the Group's significant market after China. Our sales to the Indian market have slowed down in the second half of 2011 due to various telecom regulatory issues raised by the Indian authorities. The successful execution of our Indian business in 2012 is heavily reliant on whether the Indian regulatory bodies will restrict telecom operators' ability to boost revenue through charging higher-paying services to more customers through various collaborations with other Indian telecom operators. This will directly impact on the rate of expansion of mobile communication networks within India. With the telecom operators' market's revenue stagnating due to rapidly declining ARPU, and the fact that it has one of the lowest ARPU in the world, the Group is witnessing an intensely competitive market in the Indian continent.

The Group will hence continue to focus in expanding its overseas clientele base outside India and the PRC.

The antenna manufacturing line, together with its testing facility, is scheduled to be completed by mid 2012. The Group hopes to be able to commence manufacture for sale within the PRC in the second half of 2012, but this is conditional upon the Group being able to submit its tender in time, as telecom operators will require a certain timeframe in conducting vigorous quality assessment before accepting our products for tender.

The purchase of large scale equipments for production of high temperature resistant cable ("HTRC") products is temporarily suspended due to the high costs of certain raw material components. The Group will provide updates as and when new developments arise.

In view of the mobile networks consolidation across the globe and increasing competition, the Group is expected to face continued pressure on selling prices and narrowing margins. If we are unable to effectively respond to these risks and pricing pressures, our revenue, gross margin & profitability could be materially affected and our gross margins could continue to be reduced. The global economic recovery is still fragile with the debt crisis in Europe casting its shadow over consumer sentiment. We are also mindful of the expected further strengthening of the Renminbi, the rising costs of labour across China, the rising costs of commodities such as copper and aluminium, and the intense competition within the industry.

The Group will also be keeping a close tab on the technological and business developments within the industry and explore other investment and business opportunities.

Continuing Connected Transactions

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

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

MATERIALS PURCHASE FRAMEWORK AGREEMENT

The Group entered into a master agreement with Suzhou Hengli Telecommunications Materials Co., Ltd ("**Suzhou Hengli**") on the purchase of raw materials commencing 9 November 2010 until 31 December 2012, in which Suzhou Hengli will supply metal plastic tape, aluminium plastic tape and other raw materials for the production of RF coaxial cables, on terms no less favourable than those offered by independent third parties. Pursuant to an addendum dated 5 December 2011, the details of which are set out in the announcement of the Company dated 5 December 2011, the annual cap in respect of the transactions under the master agreement for each of the years ended 31 December 2011 and 2012 was increased from RMB9,000,000 to RMB12,000,000. The aggregate amount paid by the Group for the purchase of raw materials amounted to approximately RMB 8,730,000 (excluding VAT payable to State Administration of Taxation of the PRC amounted RMB1,484,000) for the year ended 31 December 2011.

Background of Suzhou Hengli:
Suzhou Hengli is wholly owned by Jiangsu Hengtong Cable Technology Co., Ltd, which is in turn wholly owned by Hengtong Optic-Electric Co., Ltd. Hengtong Optic-Electric Co., Ltd is held at approximately 40.71% by Hengtong Group Co., Ltd, which is beneficially owned by Mr Cui Genliang, the elder brother of the Company's Executive Chairman, Mr Cui Genxiang, as to 90% of equity interest, and by Mr Cui Wei, the son of Mr Cui Genliang, as to 10% of the equity interest. Therefore, Suzhou Hengli, its subsidiaries and associates are deemed as the Group's connected persons under Rule 14A.11(4)(a) of the Listing Rules of SEHK in Hong Kong, and is also deemed as our Group's "interested person" in accordance with the listing rules of the SGX-ST (the "**Listing Manual**") in Singapore.

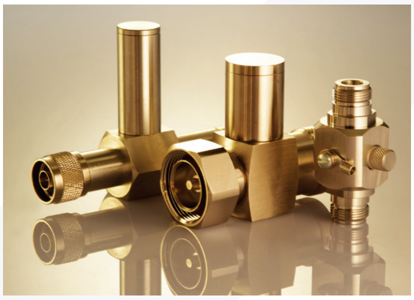
The independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that such continuing connected transactions have been entered into:

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

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

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

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



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Board of Directors

CUI GENXIANG 崔根香
Executive Chairman

Mr. Cui Genxiang (崔根香), aged 43, is our Chairman and was appointed on 23 June 2005 and re-designated from Non-Executive Director and Non-Executive Chairman to our Executive Director and Executive Chairman on 11 January 2010. Mr. Cui was one of the founders and directors of Jiangsu Hengxin Technology Co., Ltd. since its establishment in June 2003. He has been responsible for providing advice in relation to our overall corporate strategy and corporate management when he acted as our Non-Executive Director and Non-Executive Chairman.

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

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

XU GUOQIANG 徐国强
Executive Director

Mr. Xu Guoqiang (徐国强), aged 39, was appointed as our Executive Director and General Manager of Jiangsu Hengxin on 20 December 2011, and assists Mr. Cui in respect of the business development of our Group. Prior to his appointment, Mr Xu was the Senior Deputy General Manager of Production and Technical of Jiangsu Hengxin and was responsible for planning, implementing and overseeing the production of our products and technical related matters.

Mr. Xu obtained a Bachelor of Business Administration from Shanghai Jiaotong University in 2005 and an EMBA from Sichuan University in 2010. From 1994 to 1999, Mr. Xu was working in Wujiang Miao Du Cable Co., Ltd. as Workshop Supervisor. From 1999 to May 2006, he was working in Jiangsu Hengtong Photoelectric Co. Ltd. (a company listed on the Shanghai Stock Exchange, Stock Code: 600487) and held various positions including Quality Control Supervisor, Quality Control Assistant Manager and Production Manager. Prior to joining Jiangsu Hengxin in August 2010, Mr. Xu was working at Chengdu Hengtong Optic Communications Co. Ltd. as General Manager since 2006.

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

TAY AH KONG BERNARD
Independent Non-Executive Director

Mr. Tay Ah Kong Bernard, aged 62, was appointed as one of our Independent Non-Executive Directors on 18 January 2007. He is currently the Non-Executive Chairman of Crowe Horwath First Trust LLP, which is a Certified Public Accountants firm and Chairman of the Risk Management Committee of RHT Capital Pte Ltd (RHT). RHT is an approved SGX (Catalist) Continuing Sponsor's Company. Mr Tay is an Independent Director on several public companies listed on the SGX Mainboard and Catalist, including China Hongxing Sports Limited, Juken Technology Limited, Oakwell Engineering Limited, China yongsheng Limited, Ramba Energy Limited and Asia Water Technology Ltd. During the past three years, Mr. Tay was also a director of several listed companies including Man Wah Holdings Limited and Reyoung Pharmaceutical Holdings Limited.

He is the President of the Automobile Association of Singapore and Chairman of Singapore Road Safety Council. Mr Tay is also the Vice- President of the Singapore Productivity Association and a Member of Ministry of Home Affairs - Community Involvement Steering Committee. He was appointed, Senior Advisor to the Government of Huzhou City, Zhejiang Province of the People's Republic of China.

He is a recipient of the Service to Education Award and Community Service Medal and was conferred the Pingat Bakti Masyarakat (Public Service Medal) by the President of Republic of Singapore.

In addition, he was a Member of the Resource Panel of the Government Parliamentary Committees for Home Affairs and Communications. He had also sat on several committees under the Accounting and Corporate Regulatory Authority which includes the Complaints and Disciplinary Panel - Public Accountants Oversight Committee, Standing Law Review Focus Group and Directors' Duties Study Team. He was also a Member of the Singapore Corporate Awards Judging Panel for the Best Annual Report Award.

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

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

ZHANG ZHONG 张钟
Non-Executive Director

Ms. Zhang Zhong (张钟), aged 57, is our Non-Executive Director and was appointed on 23 June 2005. Ms. Zhang is one of the founders and directors of Jiangsu Hengxin Technology Co., Ltd. since its establishment in June 2003.

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

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

Board of Directors (cont'd)

CHEE TECK KWONG PATRICK 徐泽光
Independent Non-Executive Director

Mr. Chee Teck Kwong Patrick (徐泽光), PBM, aged 57, is our Independent Non-Executive Director and was appointed on 18 January 2007. Mr. Chee holds a Bachelor of Laws (Hons) Degree from the University of Singapore. Mr. Chee was admitted as a Solicitor of the Senior Courts of England and Wales, and he has been an advocate and solicitor of the Supreme Court of the Republic of Singapore since 1980. He is now practising as a senior legal consultant with KhattarWong, and is also a Notary Public and a Commissioner for Oaths in Singapore. He is a member of Singapore Institute of Arbitrators and Singapore Institute of Directors.

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

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

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

TAM CHI KWAN MICHAEL 谭志昆
Independent Non-Executive Director

Mr. Tam Chi Kwan Michael (谭志昆), aged 48, is our Independent Non-Executive Director and was appointed on 10 December 2010. Mr. Tam is currently the managing director of TLC CPA Limited, a firm of certified public accountants in Hong Kong and has more than 20 years of experience in tax consulting and auditing. He holds an Honours Diploma in Accountancy from Lingnan University (formerly Lingnan College) in Hong Kong and a Bachelor of Laws (Hons) degree from the University of Wolverhampton in the United Kingdom.

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

Key Management

LEOW CHIN BOON
Chief Financial Officer

Mr. Leow Chin Boon, aged 35, 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.

DI HAI (狄海)
Deputy General Manager - Sales and Marketing

Mr. Di Hai (狄海), aged 39, joined our Group in July 2003. He is the deputy general manager of Jiangsu Hengxin Technology Co., Ltd. and is responsible for sales and marketing business of the group. From 2002 to June 2003, Mr. Di worked as the director of the service department and the commerce department of Hengtong Cable. From 1997 to 2001, Mr. Di worked as the manager of the production department and the technical quality department of Hengtong. Mr. Di obtained an associate degree in Public Relations from Shanxi Normal University in 1997.

SUN YULIANG (孙余良)
Assistant to Deputy General Manager - Production Equipments

Mr. Sun Yuliang (孙余良), aged 40, joined our Group in May 2003. He is the assistant to deputy general manager of Jiangsu Hengxin Technology Co., Ltd. and is responsible for production equipments. From 1999 to 2003, Mr. Sun worked as technical manager of the equipment department of Hengtong Cable. From 1994 to 1999, Mr. Sun worked as the head of the quality control department of Jiangsu Shenying Group (江苏神鹰集团). Mr. Sun obtained Bachelor Degree in Manufacturing Technology of Machine and Equipment from Jiangnan University in 1994.

Corporate Information

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

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN SINGAPORE
7 Temasek Boulevard #04-02B
Suntec Tower One
Singapore 038987

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART XI OF THE HONG KONG COMPANIES ORDINANCE
2201-2203, 22nd Floor
World-Wide House
19 Des Voeux Road, Central
Hong Kong

BOARD OF DIRECTORS
Executive Directors
Mr. Cui Genxiang (Chairman)
Mr. Xu Guoqiang

Non-Executive Director
Ms. Zhang Zhong

Independent Non-Executive Directors
Mr. Tay Ah Kong Bernard
Mr. Chee Teck Kwong Patrick
Mr. Tam Chi Kwan Michael

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

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

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

AUTHORISED REPRESENTATIVES
Mr. Cui Genxiang
Mr. Chu Hon Leung

JOINT COMPANY SECRETARIES
Ms. Shirley Lim Guat Hua (ACIS) (Singapore)
Mr. Chu Hon Leung (Hong Kong)

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

LEGAL ADVISORS
Li & Partners (Hong Kong)
2201-2203, 22nd Floor, World-Wide House
19 Des Voeux Road, Central
Hong Kong

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

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

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

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

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

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

WEBSITE OF THE COMPANY
www.hengxin.com.sg

Corporate Governance Report

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

As the Company is also dual listed on the Main Board of The Stock Exchange of Hong Kong Limited ("SEHK"), the Company has adopted, for corporate governance purposes, the code provisions of the Code on Corporate Governance Practices (Appendix 14 of the Rules Governing the Listing of Securities of the SEHK (the "Listing Rules")) ("Hong Kong Code"), in addition to the Singapore Code of Corporate Governance 2005 ("Singapore Code"). In the event of any conflict between the Singapore Code and Hong Kong Code, the Company will comply with the more onerous code provisions. Throughout the year ended 31 December 2011, the Company has complied with the Hong Kong Code and the Singapore Code.

(A) BOARD MATTERS

The Board's Conduct of Affairs

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

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

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

Board Processes

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

Board meetings are conducted regularly on a quarterly basis and ad-hoc meetings are convened whenever they are deemed necessary to address any specific issue of significance that may arise. Some important matters concerning the Group are also put to the Board for its decision by way of written resolutions. A Board meeting may also be conducted by way of tele-conference and video conference.

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

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

Corporate
Governance Report (cont'd)

In the course of the year under review, as at 31 December 2011, the number of general meetings, Board and Board Committees meetings held and the attendance by each Board member at these meetings are set out as follows:

Name	General Meetings		Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Cui Genxiang	1	1	6	6	NA	NA	NA	NA	1	1
Zhang Zhong	1	1	6	5	4	4	1	1	1	1
Tay Ah Kong Bernard	1	1	6	6	4	4	1	1	1	1
Chee Teck Kwong Patrick	1	1	6	6	4	4	1	1	1	1
Dr Song Haiyan**	1	1	6	6	NA	NA	NA	NA	NA	NA
Tam Chi Kwan Michael	1	1	6	6	4	4	NA	NA	NA	NA
Xu Guoqiang*	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

NA: Not applicable

* *Mr Xu Guoqiang was appointed as an Executive Director on 20 December 2011.*

** *Dr Song Haiyan resigned as an Executive Director on 20 December 2011.*

Matters Reserved for Board Approval

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

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

Training of Directors

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

Board Composition and Balance

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

The Board comprises the following:-

Name of Directors	Designation	Date of first appointment	Date of last re-election	Due for re-election at forthcoming AGM
Cui Genxiang	Executive Chairman	23 June 2005	28 April 2011	-
Zhang Zhong	Non-Executive Director	23 June 2005	29 April 2010	√
Tay Ah Kong Bernard	Independent Non-executive Director	18 January 2007	28 April 2009	√
Chee Teck Kwong Patrick	Independent Non-executive Director	18 January 2007	29 April 2010	-
Dr Song Haiyan**	Executive Director	10 December 2010	28 April 2011	-
Tam Chi Kwan Michael	Independent Non-executive Director	10 December 2010	28 April 2011	-
Xu Guoqiang*	Executive Director	20 December 2011	NA	√

NA: Not applicable

* *Mr Xu Guoqiang was appointed as an Executive Director on 20 December 2011.*

** *Dr Song Haiyan resigned as an Executive Director on 20 December 2011.*

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

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

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

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

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

The composition of the Board will be reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate size, mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. When a vacancy arises under any circumstance, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Nominating Committee, in consultation with the Board, will determine the selection criteria and select candidates with the appropriate expertise and experience for the position. Pursuant to the Articles of Association of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the next annual general meeting ("AGM") of the Company after his appointment and be subject to re-election at such meeting.

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

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

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

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

Other key information on each of the Directors of the Company is set out in pages 22 to 24 of this Annual Report. Their shareholdings in the Company are also disclosed in the Report of the Directors. None of the directors hold shares in the Company's subsidiaries.

Chairman and Chief Executive Officer

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

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

Mr Cui Genxiang, the Executive Chairman of the Company, is a controlling shareholder, oversees the business directions and operational decisions of the Company and its subsidiaries and plays a pivotal role in steering the strategic direction and growth of the business, since he has considerable business experience. The Executive Chairman will ensure all Directors are properly briefed on issues arising at Board meetings and will also ensure information flow between the Management and the Board.

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

Nominating Committee

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

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

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

The Nominating Committee holds at least one meeting per year. The Nominating Committee has convened one meeting during the year ended 31 December 2011 to review the Director's independence as well as the composition of the Board. The key functions of the Nominating Committee under the Terms of Reference are, *inter alia*:-

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

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

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

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

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

The Directors who have submitted themselves for re-election at the forthcoming AGM of the Company are Mr Tay Ah Kong Bernard, Ms Zhang Zhong and Mr Xu Guoqiang. Their profiles are shown on pages 22 and 23 of the Annual Report.

Board Performance

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

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

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

The Nominating Committee has formulated evaluation procedures and the performance criteria for the assessment of the Board's performance as a whole. It had conducted a Board performance evaluation for the financial year ended 31 December 2011 ("FY2011").

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

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

Access to Information

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

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

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

All Directors have separate and independent access to the Company Secretaries. The Company Secretaries or their representatives administer, attend and prepare minutes of Board meetings, and assist the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and rules and regulations that are applicable to the Company, including requirements of the Singapore Companies Act and the Singapore Exchange Securities Trading Limited ("SGX-ST"), are complied with.

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

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

(B) REMUNERATION MATTERS

Remuneration Committee

Procedures for Developing Remuneration Policies

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

The Remuneration Committee comprises the following members:-

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

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

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

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

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

The members of the Remuneration Committee shall not participate in any decision concerning their own remuneration. No Director will be involved in determining his or her own remuneration. During the year ended 31 December 2011, the Remuneration Committee has convened one meeting and reviewed various remuneration matters including, among other things, the remuneration package for the newly appointed Director of the Company.

Level and Mix of Remuneration

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

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

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

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

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

Disclosure on Remuneration

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

The breakdown of remuneration of the Directors for the year ended 31 December 2011 is set out below:-

Directors	Band	Salary (%)	Bonus (%)	Director's fees (%)	Benefit-in-kind (%)	Total (%)
Cui Genxiang	A	70.8	29.2	-	-	100
Dr Song Haiyan**	B	51.4	48.6	-	-	100
Zhang Zhong	A	-	-	100	-	100
Chee Teck Kwong Patrick	A	-	-	100	-	100
Tay Ah Kong Bernard	A	-	-	100	-	100
Tam Chi Kwan Michael	A	-	-	100	-	100
Xu Guoqiang*	-	24.0	76.0	-	-	100

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

* *Mr Xu Guoqiang was appointed as an Executive Director on 20 December 2011. Mr Xu is also appointed as a General Manager of the Company's wholly-owned subsidiary in China, Jiangsu Hengxin Technology Co, Ltd.*

** *Dr Song Haiyan resigned as an Executive Director on 20 December 2011.*

The top five key executives of the Group (excluding CEO in the above table) in each remuneration band are:

	FY2011
S$250,000 – S$500,000	1
Below S$250,000	4
Total	5

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

There are currently no employees who are immediate family members of a Director whose remuneration exceeded S$150,000 during FY2011.

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

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

Share Options

The Hengxin Share Option Scheme ("Scheme") was approved by the Company's shareholders at the Company's extraordinary general meeting held on 27 October 2010.

The Scheme is administered by the Remuneration Committee.

No Options were granted since the commencement of the Scheme on 27 October 2010 to the end of FY2011 to the Directors and controlling shareholder of the Company and their associates.

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

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

Audit Committee

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

The Audit Committee comprises the following members:-

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

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

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

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

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

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

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

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

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

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

(g) review transactions falling within the scope of Chapter 9 of the Listing Manual;

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

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

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

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

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

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

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

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

The Company has appointed a suitable auditing firm to meet its audit obligations, having regard to the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit. The Company confirms that Rule 712 of the SGX-ST's Listing Manual ("Listing Manual") is complied with.

The auditors of the Company's subsidiaries and jointly controlled entities are disclosed in Note 12 to the financial statements in this Annual Report. The Board and Audit Committee have considered and confirmed that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company and the Group. Accordingly, Rule 716 of the Listing Manual is complied with.

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

During the year ended 31 December 2011, the Audit Committee has convened four meetings.

Directors' and Auditors' Responsibilities for Financial Statements

The Directors are responsible for the preparation of financial statements for each financial period which give a true and fair view of the state of affairs of the Group. In preparing the financial statements for the year ended 31 December 2011, the Directors have selected appropriate accounting policies and applied them consistently, and have prepared the financial statements on a going concern basis. The responsibilities of the external auditors are set out in the Independent Auditors' Report to the shareholders of the Company on page 50 of the Annual Report.

Auditors' Remuneration

Deloitte, the external auditors of the Company, were responsible for providing services in connection with the audit of the financial statements of the Group for FY2011.

For FY2011, the total remuneration in respect of review and audit services provided by Deloitte for the Group amounted to approximately RMB1.27 million and in respect of non-audit services provided by Deloitte amounted to approximately RMB0.25 million.

The Audit Committee has undertaken a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services do not affect the independence of the external auditors.

Internal Controls

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

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

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

The Audit Committee has assisted the Board to conduct periodic reviews on the adequacy of the system of internal controls of the Company.

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

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

The Board and Audit Committee are of the opinion that, in the absence of any evidence to the contrary, the Group's internal controls were adequate based on:

- The internal controls established and maintained by the Group;
- Confirmation by the Executive Chairman and Chief Financial Officer;
- Reports issued by the internal and external auditors; and
- Regular reviews performed by the management, various Board committees and the Board.

Internal Audit

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

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

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

The internal auditors have conducted an annual review in accordance with their audit plan, of the effectiveness of the Company's material internal controls. Material non-compliance or failures in internal controls and recommendations for improvements (if any) will be reported to the Audit Committee.

The Audit Committee has also reviewed the effectiveness and adequacy of the IA function and the Audit Committee is satisfied that the IA function is adequately resourced and has appropriate standing within the Group.

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

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

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

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

Greater Shareholder Participation

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

In line with continuous disclosure obligations of the Company, pursuant to the Listing Manual, the Singapore Companies Act and the Listing Rules of SEHK, the Board's policy is that shareholders are informed of all major developments that impact the Group. The Board will review the shareholders' communication policy from time to time as appropriate.

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

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

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

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

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

All resolutions in general meetings have been voted by poll and the detailed results showing the number of votes cast for and against each resolution and the respective percentages have been communicated to the shareholders accordingly.

(E) DEALING IN SECURITIES

The Company has adopted its own code of best practices on securities transactions by the Company and its officers with respect to dealings in securities by the Directors and senior management of the Group ("Best Practices Code"). The Best Practices Code is in line with the requirements of the Listing Manual and is no less exacting than the required standard in the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code") as set out in Appendix 10 of the Listing Rules on SEHK. Having made specific enquiry of all Directors and senior management of the Group, all Directors and senior management of the Group have complied with the required standard set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors and senior management during FY2011.

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

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

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

(F) INTERESTED PERSON TRANSACTIONS

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

	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual of SGX-ST (excluding transaction less than $100,000)	
	RMB '000		RMB '000	
Name of interested person	2011	2010	2011	2010
Suzhou Hengli Telecommunications Materials Co. Ltd Purchase of raw materials	8,730	6,769	N/A	N/A

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

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

Details of connected transactions for FY2011 which fall under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this annual report.

(G) RISK MANAGEMENT

Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle. Having identified the risks to the achievement of their strategic objectives, each business is required to document the management and mitigating actions in place and proposed in respect of each significant risk.

The Board recognises the importance of establishing a formal Enterprise Risk Management Framework to facilitate the management of risks and monitoring the effectiveness of internal controls. Accordingly, to facilitate the compliance with Rule 1207(10) of the Listing Manual, the Board has engaged an external consultant to assist with establishing an Enterprise Risk Management Framework in the financial year ending 31 December 2012.

(H) MATERIAL CONTRACTS

There are no material contracts of the Group involving the interests of any Directors or substantial shareholders subsisting at the end of the FY2011.

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

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

- approximately HK$8.6 million or 9.1% of the net proceeds for further expanding the Group's sales network into overseas market;
- approximately HK$41.4 million or 43.6% of the net proceeds for the diversification of the Group's product portfolio to antennas, among which, (i) approximately HK$10.4 million for purchasing of machinery; (ii) approximately HK$8.6 million for acquisition of land and construction of buildings; (iii) approximately HK$16.4 million for research and development; and (iv) approximately HK$6.0 million for sales and marketing;
- approximately HK$27.6 million or 29.1% of the net proceeds for the diversification of the Group's product portfolio to high temperature resistant cables, among which, (i) approximately HK$13.4 million for purchasing of manufacturing equipments; (ii) approximately HK$2.8 million for reconstruction of the Group's warehouse, part of which to be used as production plant; (iii) approximately HK$7.8 million for research and development; and (iv) approximately HK$3.6 million for sales and marketing;
- approximately HK$8.6 million or 9.1% of the net proceeds for enhancing the Group's research and development team; and
- approximately HK$8.6 million or 9.1% of the net proceeds for general working capital of our Group.

As at 22 February 2012, the Company's balance of unutilised net proceeds stood at approximately RMB67.6 million from the said IPO. The following table details the utilisation of proceeds:

	IPO Proceeds		Used	Balance
Intended Use	HKD '000	Equivalent to RMB '000	RMB '000	RMB '000
Diversify product portfolio of High Temperature Resistant Cables	27,645	23,607	(1,648)	21,959
Diversify product portfolio of Antennas	41,420	35,370	(10,001)	25,369
Expansion of sales network into overseas market	8,645	7,382	-	7,382
Enhance research and development	8,645	7,382	-	7,382
General working capital	8,645	7,382	(1,924)	5,458
Total	95,000	81,123	(13,573)	67,550

Financial Contents

Report of the Directors

The directors of Hengxin Technology Ltd. (the "Company") present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2011.

1 DIRECTORS

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

Cui Genxiang	(Executive Chairman)
Xu Guoqiang	(Executive Director, appointed on 20 December 2011)
Zhang Zhong	(Non-Executive Director)
Tay Ah Kong, Bernard	(Independent Non-Executive Director)
Chee Teck Kwong, Patrick	(Independent Non-Executive Director)
Tam Chi Kwan, Michael	(Independent Non-Executive Director)

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

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company (or their respective spouse or minor children) to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in name of director		Shareholdings in which a director is deemed to have an interest	
	At 1 January 2011	At 31 December 2011	At 1 January 2011	At 31 December 2011
The Company				
(Ordinary shares)				
Cui Genxiang	-	-	90,294,662	90,294,662
Zhang Zhong	-	-	28,082,525	28,082,525

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

The directors' interests in the shares of the Company at 21 January 2012, were the same at 31 December 2011.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5 SHARE OPTIONS

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

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

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

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

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

(i) the closing price of the shares as stated in the daily quotation sheet issued by The Stock Exchange of Hong Kong Limited ("SEHK") or the Singapore Exchange Securities Trading Limited ("SGX-ST") (whichever is higher) on the offer date, which must be a business day; and

(ii) the average closing price of the shares as stated in the daily quotation sheet issued by the SEHK or the SGX-ST for the five consecutive business days immediately preceding the offer date (whichever is higher).

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

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

6 AUDIT COMMITTEE

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

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

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

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

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

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

(d) the quarterly and annual announcements as well as the related press release on the results and financial position of the Company and the Group;

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

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

(g) interested person transactions; and

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

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

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

7 AUDITORS

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

8 ADDITIONAL INFORMATION

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

ADOPTION OF TRADING NAME

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 51 to 92 of this annual report.

In the financial year 2011, the directors proposed that a first and final tax-exempt dividend of S$0.0077 per ordinary share amounting to approximately S$2,988,000 (approximately RMB15,694,000) be paid for the financial year ended 31 December 2010.

No dividends has been recommended for the financial year ended 31 December 2011.

SUMMARY OF FINANCIAL INFORMATION

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

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF SHARES

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

CONFIRMATION OF INDEPENDENCE

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

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors, Mr Cui Genxiang and Mr Xu Guoqiang, entered into a service contract with the Company for a term of three years commencing on 1 January 2010 and 20 December 2011 respectively, renewable in writing for any successive terms upon the date of expiry of the first three-year period, unless terminated in accordance with the provisions of the service contract by either party giving to the other not less than six months' prior notice in writing at the end of the initial term or at any time thereafter.

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

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

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

DIRECTORS' REMUNERATION

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

DIRECTORS' INTERESTS IN CONTRACTS

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

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

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

As at 31 December 2011, the interests and short positions of the Directors of the Company in shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the **"SFO"**)), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the **"Model Code"**) as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions:

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

Notes:

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

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

There was no change in any of the above-mentioned interests between the end of the financial year of 2011 and 21 January 2012.

Saved as disclosed above, as at 31 December 2011, none of the Directors nor their associates had or deemed to have any interests or short position in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which has been recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which has been notified to the Company and the SEHK pursuant to the Model Code.

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

As at 31 December 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

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

Notes:

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

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

Saved as disclosed above, as at 31 December 2011, no person, other than the Directors, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares and debentures" above, has an interest or short position in the shares or underlying shares of the Company that was required to be recorded.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING AND MR CUI AND KINGEVER'S INTERESTS IN COMPETING BUSINESSES

Mr Cui Genxiang and Kingever have entered into a deed of non-competition (the "Non-competition Deed") on 30 November 2010 in favor of the Company, pursuant to which Mr Cui and Kingever have undertaken to the Company (for itself and for the benefit of its subsidiaries) that they would not, and would procure that their respective associates (except any members of the Group) would not, during the restricted period set out below, directly or indirectly, either on their 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. Each of Mr Cui and Kingever confirms that all relevant terms of the Non-competition Deed have been fully complied with in all material aspect.

During the financial year ended 31 December 2011 and up to the date of this report, none of Mr Cui or Kingever is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly or indirectly, with the business of the Group pursuant to the Listing Rules.

RESERVES

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

DISTRIBUTABLE RESERVES

Profits attributable to shareholders, before dividends, of RMB102,249,000 (2010: RMB102,555,000) have been transferred to reserves. Other movements in reserves are set out on page 83 to the financial statements.

DONATIONS

The Group had made donations amounting RMB500,000 (2010: RMB500,000) which is part of a donation commitment to a charity association and payable in equal annual installments over a period of 20 years commencing from 2007.

SUFFICIENCY OF PUBLIC FLOAT

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

MAJOR CUSTOMERS AND SUPPLIERS

In the financial year ended 31 December 2011, sales to the Group's five largest customers accounted for approximately 76.2% of the total sales for the year and sales to the largest customer included therein amounted to approximately 31.6%. Purchases from the Group's five largest suppliers accounted for approximately 70.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 27.7%.

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

ON BEHALF OF THE DIRECTORS

Cui Genxiang

Xu Guoqiang

14 March 2012

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 51 to 92 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Cui Genxiang

Xu Guoqiang

14 March 2012

Independent Auditors' Report

To the Members of Hengxin Technology Ltd

Report on the Financial Statements

We have audited the financial statements of Hengxin Technology Ltd (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 51 to 92.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Certified Public Accountants
Singapore

Lim Kuan Meng
Partner
Appointed on 10 September 2007

14 March 2012

Statements of Financial Position

31 December 2011

	Note	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
ASSETS					
Current assets					
Cash and bank balances	6	323,710	247,078	63,085	103,303
Pledged bank deposits	6	52,883	62,596	-	-
Trade receivables	7	734,596	626,702	-	-
Other receivables and prepayment	8	28,256	12,958	10,083	5,769
Inventories	9	135,911	128,377	-	-
Available-for-sale investments	10	-	2,000	-	-
Leasehold land	11	560	560	-	-
Total current assets		1,275,916	1,080,271	73,168	109,072
Non-current assets					
Other receivables and prepayment	8	5,760	5,760	-	-
Available-for-sale investments	10	10,000	-	-	-
Leasehold land	11	19,461	20,021	-	-
Subsidiaries	12	-	-	354,793	321,984
Property, plant and equipment	13	157,889	140,978	5	15
Deferred tax assets	14	2,523	2,518	-	-
Total non-current assets		195,633	169,277	354,798	321,999
Total assets		1,471,549	1,249,548	427,966	431,071
LIABILITIES AND EQUITY					
Current liabilities					
Short-term loans	15	230,000	40,000	-	-
Trade payables	16	258,489	323,263	-	-
Other payables	17	28,719	25,476	2,126	4,423
Income tax payable		12,771	6,102	-	-
Total current liabilities		529,979	394,841	2,126	4,423
Non-current liability					
Deferred tax liabilities	14	2,596	1,998	-	-
Capital and reserves					
Share capital	18	295,000	295,000	295,000	295,000
General reserves	19	122,889	104,839	-	-
Special reserve	20	(6,017)	(6,017)	-	-
Translation reserves		(294)	(4)	-	-
Accumulated profits		527,396	458,891	130,840	131,648
Total equity		938,974	852,709	425,840	426,648
Total liabilities and equity		1,471,549	1,249,548	427,966	431,071

See accompanying notes to financial statements.

Consolidated Statement of Comprehensive Income

Financial year ended 31 December 2011

	Note	Group 2011 RMB'000	Group 2010 RMB'000
Revenue	21	1,419,327	1,183,131
Cost of sales		(1,157,224)	(961,470)
Gross profit		262,103	221,661
Other operating income	22	7,405	15,292
Distribution and selling expenses		(62,522)	(55,841)
Administrative expenses		(41,108)	(36,256)
Other operating expenses	23	(27,147)	(10,404)
Finance costs	24	(13,203)	(9,723)
Profit before income tax	25	125,528	124,729
Income tax	26	(23,279)	(22,174)
Net profit for the year		102,249	102,555
Other comprehensive income:			
Exchange differences on translation		(290)	(20)
Total comprehensive income for the year		101,959	102,535
Earnings per share (RMB cents)			
– basic	27	26.4	30.4
– diluted	27	26.4	30.4

See accompanying notes to financial statements.

Statements of Changes in Equity

Financial year ended 31 December 2011

	Share capital RMB'000	General reserves RMB'000	Special reserves RMB'000	Translation reserves RMB'000	Accumulated profits RMB'000	Total RMB'000
Group						
Balance at 1 January 2010	205,771	87,287	(6,017)	16	388,607	675,664
Issue of new ordinary shares, net of expenses (Note 18)	89,229	-	-	-	-	89,229
Profit for the year	-	-	-	-	102,555	102,555
Other comprehensive income for the year	-	-	-	(20)	-	(20)
Total comprehensive income for the year	-	-	-	(20)	102,555	102,535
Transfer to general reserves	-	17,552	-	-	(17,552)	-
Dividends (Note 28)	-	-	-	-	(14,719)	(14,719)
Balance at 31 December 2010	295,000	104,839	(6,017)	(4)	458,891	852,709
Profit for the year	-	-	-	-	102,249	102,249
Other comprehensive income for the year	-	-	-	(290)	-	(290)
Total comprehensive income for the year	-	-	-	(290)	102,249	101,959
Transfer to general reserves	-	18,050	-	-	(18,050)	-
Dividends (Note 28)	-	-	-	-	(15,694)	(15,694)
Balance at December 31 2011	295,000	122,889	(6,017)	(294)	527,396	938,974

See accompanying notes to financial statements.

Statements of Changes in Equity (cont'd)

Financial year ended 31 December 2011

	Share capital RMB'000	Accumulated profits RMB'000	Total RMB'000
<u>**Company**</u>			
Balance at 1 January 2010	205,771	118,243	324,014
Issuance of shares (Note 18)	89,229	-	89,229
Profit for the year representing total comprehensive income for the year	-	28,124	28,124
Dividends (Note 28)	-	(14,719)	(14,719)
Balance at 31 December 2010	295,000	131,648	426,648
Profit for the year representing total comprehensive income for the year	-	14,886	14,886
Dividends (Note 28)	-	(15,694)	(15,694)
Balance at 31 December 2011	295,000	130,840	425,840

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended 31 December 2011

	Group	
	2011	2010
	RMB'000	RMB'000
Operating activities		
Profit before income tax	125,528	124,729
Adjustments for:		
Depreciation of property, plant and equipment	16,612	14,838
Interest expense	13,203	9,723
Net foreign exchange losses (gains)	4,780	(858)
Forfeiture of a customer deposit	988	-
Loss on disposal of property, plant and equipment	702	8
Amortisation of leasehold land	560	560
Loss on disposal of held-for-trading investments	-	1,472
(Reversal) Allowance for inventory obsolescence	(67)	806
Gain on disposal of available-for-sale investments	(690)	(109)
Interest income	(3,590)	(4,732)
Operating cash flows before working capital changes	158,026	146,437
Inventories	(7,467)	55,064
Trade receivables	(107,894)	91,470
Other receivables and prepayments	(15,298)	11,190
Trade payables	(65,762)	(151,379)
Other payables	3,243	(6,914)
Cash (used in) generated from operations	(35,152)	145,868
Interest paid	(13,203)	(9,723)
Interest received	3,590	4,732
Income tax paid	(16,017)	(22,065)
Net cash (used in) from operating activities	(60,782)	118,812
Investing activities		
Acquisition of property, plant and equipment	(34,668)	(16,567)
Proceeds on disposal of available-for-sale investments	2,690	10,609
Purchase of available-for-sale investments	(10,000)	(10,000)
Proceeds on disposal of held-for-trading investments	-	18,528
Purchase of held-for-trading investments	-	(20,000)
Proceeds from disposal of property, plant and equipment	443	3
Net cash used in investing activities	(41,535)	(17,427)
Financing activities		
Decrease in pledged bank deposits	9,713	57,890
Proceeds from issue of new shares, net of expenses	-	89,229
Proceeds from short-term bank loans	380,000	450,000
Repayment of short-term bank loans	(190,000)	(585,221)
Dividends paid	(15,694)	(14,719)
Net cash from (used in) financing activities	184,019	(2,821)
Net increase in cash and cash equivalents	81,702	98,564
Cash and cash balances at beginning of year	247,078	147,676
Effects of foreign exchange rate changes	(5,070)	838
Cash and cash balances at end of year (Note 6)	323,710	247,078

See accompanying notes to financial statements.

Notes to Financial Statements

31 December 2011

1 GENERAL

The Company (Registration No. 200414927H) is incorporated in the Republic of Singapore with its principal place of business at 7 Temasek Boulevard, #04-02B, Suntec Tower One, Singapore 038987 (2010: 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 both the Main Board of the Singapore Exchange Securities Trading Limited and The Stock Exchange of Hong Kong Limited. The financial statements are expressed in Renminbi.

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2011 were authorised for issue by the Board of Directors on 14 March 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

ADOPTION OF NEW AND REVISED FINANCIAL REPORTING STANDARDS – In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2011. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Effective interest method

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

Financial assets

Cash and cash equivalents

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

Trade and other receivables

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

Available-for-sale investments

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

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

Impairment of financial assets

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

For all other financial 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 re-organisation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial liabilities

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

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

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

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

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

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

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

Depreciation is not provided on construction-in-progress.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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

Sale of goods

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Dividend income

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

Interest income

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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

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

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

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

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Chinese Renminbi ("RMB"), which is the functional currency of the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

For the purpose of presenting consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company, the assets and liabilities of the Group's non-PRC foreign operations (including comparatives) are expressed in RMB using exchange rates prevailing on the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity. Such translation differences are recognised in statement of comprehensive income in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

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

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

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

(ii) Key sources of estimation uncertainty

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

Allowances for trade receivables

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

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

Allowances for inventory obsolescence

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

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

Useful lives of property, plant and equipment

The Group reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the financial year, management is satisfied that there is no change in the estimated useful lives of the property, plant and equipment from prior year. The carrying amounts of property, plant and equipment at the end of the reporting period are disclosed in Note13 to the financial statements.

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

(ii) Key sources of estimation uncertainty (cont'd)

Impairment of property, plant and equipment and prepaid lease payments

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) Capital risk management policies and objectives

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

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

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

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

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

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

	Group	
	2011 RMB'000	2010 RMB'000
Net cash borrowings	(93,710)	(207,078)
Total equity	938,974	852,709
Net debt to equity ratio (%)	(9.98)	(24.28)

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

(b) Categories of financial instruments

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

	Group	
	2011 RMB'000	2010 RMB'000
Group		
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,118,538	940,505
Available-for-sale financial assets	10,000	2,000
Financial liabilities		
Borrowings and payables, at amortised cost	517,208	388,739
Company		
Financial assets		
Loans and receivables (including cash and cash equivalents)	73,165	109,062
Financial liabilities		
Payables at amortised cost	2,126	4,423

(c) Financial risk management policies and objectives

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

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

(i) Market risk

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

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

(ii) Foreign currency risk management

The primary economic environment in which the principal subsidiary of the Company operates is the PRC and its functional currency is RMB. However, certain sales and purchases of the Group are denominated in United States Dollars ("US$"), Singapore Dollars ("S$") and Euro Dollars ("Euro"), which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

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

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

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

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:

	Group 2011 RMB'000	Group 2010 RMB'000
Group		
US$		
Cash and bank balances	29,074	5,011
Trade receivables	4,259	6,278
Trade payables	135	2,008
S$		
Cash and bank balances	62,130	26,634
Other receivables and prepayments	128	63
Trade payables	38	-
Other payables	2,126	4,423
HK$		
Cash and bank balances	26	75,693
Euro		
Trade receivables	323	-
Company		
Cash and cash equivalents		
S$	62,130	26,634
US$	929	977
HK$	26	75,693
Other receivables and prepayment		
US$	9,955	5,706
S$	128	63
Other payables		
S$	2,126	4,423

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

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

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

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

Foreign currency sensitivity

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

	US$ impact		S$ impact		HK$ impact		Euro impact	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Profit or loss								
Group	(3,320)	(928)	(6,009)	(2,227)	(3)	(7,569)	(32)	-
Company	(1,088)	(668)	(6,013)	(2,227)	(3)	(7,569)	-	-

The Group's sensitivity to foreign exchange rate changes has increased (2010: increased) during the current period mainly due to an increase (2010: increase) in monetary assets denominated in foreign currency during the current period.

(iii) *Interest rate risk management*

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

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

Interest rate sensitivity

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

If interest rate had been 50 basis points higher/lower and all other variables were held constant. the Group's profit for the year ended 31 December 2011 would decrease/increase by RMB675,000 (2010: decrease/ increase by RMB363,000). This is mainly attributable to the Group's exposure to interest rates on its fixed and variable rate borrowings.

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

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

(iv) *Credit risk management*

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

The Group's credit risk primarily relates to the Group's trade and other receivables, advance payments to suppliers, 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 80% (2010: 86%) of the carrying amounts of trade receivables as at 31 December 2011. Most of these customers have long standing relationship with the Group and are mainly of sound credit quality. The management of the Group generally grants credit only to customers with good credit ratings and also closely monitors overdue trade debts. The recoverable amount of each individual trade debt is reviewed at the end of each reporting period and adequate impairment for doubtful debts has been made for irrecoverable amounts. In this regard, the management of the Group considers that the credit risk associated with the Group's trade receivable and trade prepayments is significantly reduced.

The top five raw material suppliers did not account for any of the carrying amounts of trade prepayments as at 31 December 2011 and 2010. In order to minimise the risk, trade prepayments are generally made to suppliers with good credit ratings and with good trading history with the Group.

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

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

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

(v) *Liquidity risk management*

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

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

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

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

(v) Liquidity risk management (cont'd)

Liquidity and interest risk analyses

Non-derivative financial assets

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

	Weighted average effective interest rate %	On demand or less than 1 year RMB'000	Between 1 to 5 years RMB'000	Adjustment RMB'000	Total = Carrying amount RMB'000
Group					
2011					
Trade receivables	-	734,596	-	-	734,596
Other receivables and prepayment	-	7,349	-	-	7,349
Fixed deposits	2.12	30,593	-	(634)	29,959
Cash and bank balances	1.10	296,982	-	(3,231)	293,751
Pledged bank deposits	2.88	54,406	-	(1,523)	52,883
Total		1,123,926	-	(5,388)	1,118,538
2010					
Trade receivables	-	626,702	-	-	626,702
Other receivables and prepayment	-	851	-	-	851
Fixed deposits	0.05	309	-	*	309
Cash and bank balances	2.20	252,198	-	(5,429)	246,769
Pledged bank deposits	2.20	63,973	-	(1,377)	62,596
Total		944,033	-	(6,806)	937,227
Company					
2011					
Other receivables and prepayments	-	10,080	-	-	10,080
Cash and bank balances	0.15	33,739	-	(51)	33,688
Fixed deposits	2.02	29,991	-	(594)	29,397
Total		73,810	-	(645)	73,165
2010					
Other receivables and prepayments	-	5,759	-	-	5,759
Cash and bank balances	2.20	105,260	-	(2,266)	102,994
Fixed deposits	0.05	309	-	*	309
Total		111,328	-	(2,266)	109,062

* *Amount less than RMB1,000.*

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

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

(v) Liquidity risk management (cont'd)

Non-derivative financial liabilities

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

	Weighted average effective interest rate %	On demand or less than 1 months RMB'000	Between 1 to 3 months RMB'000	Between 3 months to 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Group						
2011						
Trade and other payables	-	79,226	145,095	62,887	287,208	287,208
Short-term bank loans	6.53	-	23,253	217,732	240,985	230,000
Total		79,226	168,348	280,619	528,193	517,208
2010						
Trade and other payables	-	170,068	104,968	73,703	348,739	348,739
Short-term bank loans	4.85	-	-	40,898	40,898	40,000
Total		170,068	104,968	114,601	389,637	388,739
Company						
2011						
Other payables	-	2,126	-	-	2,126	2,126
2010						
Other payables	-	4,423	-	-	4,423	4,423

(vi) Fair value of financial assets and financial liabilities

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices respectively; and

- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as input.

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

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

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

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

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

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

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

In 2010, the Group's available-for-sale investment as disclosed in Note 10 to the financial statements is classified as Level 2.

There is no transfer between levels during the financial year.

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

5 RELATED PARTY TRANSACTIONS

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

Significant related party transactions:

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
With Suzhou Hengli Telecommunications Materials Co., Ltd		
Purchase of raw materials	8,730	6,769

Note: Suzhou Hengli Telecommunication Materials Co., Ltd is a subsidiary of Hengtong Group Co., Ltd, a company controlled by a sibling of the Executive Chairman of the Company.

Compensation of directors and key management personnel

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

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Remuneration to directors and key management personnel:		
Short term benefits	6,540	5,969
Retirement benefits scheme contributions	91	67
Total	6,631	6,036

5 RELATED PARTY TRANSACTIONS (cont'd)

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

	2011 RMB'000	2010 RMB'000
Directors' fees	1,666	1,342
Other emoluments:		
Salaries, allowances and benefits in kind	1,485	2,015
Performance related bonuses	1,121	606
Pension scheme contributions	34	44
Total	4,306	4,007

(i) Independent non-executive directors

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

	2011 RMB'000	2010 RMB'000
Tay Ah Kong Bernard	591	572
Chee Teck Kwong Patrick	540	522
Tam Chee Kwan Michael	278	-
Total	1,409	1,094

(ii) Non-executive director

The fee paid to a non-executive director, Zhang Zhong, was RMB257,000 (2010: RMB248,000).

(iii) Executive directors

The benefits paid to executive directors were as follows:

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension contribution scheme RMB'000	Total RMB'000
2011				
Cui Genxiang	617	255	-	872
Song Haiyan#1	862	847	34	1,743
Xu Guoqiang#2	6	19	-	25
Total	1,485	1,121	34	2,640
2010				
Cui Genxiang	597	-	-	597
Song Haiyan	723	606	44	1,373
Xu Guochen#3	695	-	-	695
Total	2,015	606	44	2,665

#1 *Resigned on 20 December 2011*
#2 *Appointed on 20 December 2011*
#3 *Resigned on 1 April 2010*

There were no arrangements under which any directors waived or agreed to waive any remuneration for the financial year ended 31 December 2011 and 2010.

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

6 CASH AND BANK BALANCES

	Group		Group	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Cash at bank	293,751	246,769	33,688	102,994
Fixed deposits	29,959	309	29,397	309
Cash and bank balances	323,710	247,078	63,085	103,303
Pledged bank deposits	52,883	62,596	-	-
Total	376,593	309,674	63,085	103,303

Bank deposits are pledged in relation to:

Notes payables (Note 16)	23,074	55,816	-	-
Other banking facilities	29,809	6,780	-	-
Total pledged bank deposits	52,883	62,596	-	-

Certain of the pledged bank deposits bear interest at an average effective interest rates at 2.884% (2010: 2.204%) per annum and for a tenure of approximately 3 months (2010: 3 months).

The Group's and the Company's fixed deposit bear average effective interest rates ranging from 2.02% to 2.12% (2010: 0.05%) per annum and for a tenure of less than three months.

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

	Group		Group	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Singapore Dollars	62,130	26,634	62,130	26,634
United States Dollars	29,074	5,011	929	977
Hong Kong Dollars	26	75,693	26	75,693

7 TRADE RECEIVABLES

	Group	
	2011 RMB'000	2010 RMB'000
Outside parties	666,807	607,841
Less: Allowance for doubtful debts	(15,762)	(15,762)
Net	651,045	592,079
Notes receivables	83,551	34,623
Total	734,596	626,702

The average credit period on sales of goods is 180 days (2010: 180 days) after delivery. The Group has generally provided fully for all receivables over 2 years because historical experience is such that receivables that are past due beyond 2 years are generally not recoverable. Trade receivables between 1 to 2 years are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

7 TRADE RECEIVABLES (cont'd)

Before accepting any new customer, the Group assesses the potential customers' credit quality and defines credit limits by customer. Limits and credit quality attributed to customers are reviewed periodically. At 31 December 2011, approximately 80% (2010: 86%) of gross trade receivables were related to China Unicom Group of companies, China Mobile Group of companies and three other major customers of the Group. Approximately 99% (2010: 99%) of trade receivables are attributable to customers in the PRC. There are no other customers who represent more than 5% of the total balance of trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB144,543,000 (2010: RMB126,473,000) which are past due at the reporting date for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
Ageing of trade receivables which are not impaired:		
0 to 180 days	590,053	500,229
181 to 360 days	131,544	97,288
1 to 2 years	12,999	26,916
> 2 years	-	2,269
Total	734,596	626,702

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

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

	Group	
	2011	**2010**
	RMB'000	**RMB'000**
United States Dollars	4,259	6,278
Euro Dollars	323	-

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Advance payment to suppliers	16,612	8,505	-	-
Deposit paid for acquisition of land use rights	5,760	5,760	-	-
Refundable deposits	4,129	3,278	125	-
Tax recoverables	3,988	-	-	-
Advances to staff	3,164	-	-	-
Prepayments	307	324	3	10
Due from subsidiary (Note 12)	-	-	9,955	5,706
Others	56	851	-	53
Total	34,016	18,718	10,083	5,769
Presentation in Statements of Financial Position:				
Current asset	28,256	12,958	10,083	5,769
Non-current asset	5,760	5,760	-	-
Total	34,016	18,718	10,083	5,769

The advances to staff are unsecured, interest free and repayable on demand.

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
United States Dollars	-	-	9,955	5,706
Singapore Dollars	128	63	128	63

9 INVENTORIES

	Group	
	2011 RMB'000	2010 RMB'000
Raw materials	20,381	24,273
Work-in-progress	7,064	7,037
Finished goods	109,426	98,094
Cost	136,871	129,404
Less: Allowance for inventory obsolescence	(960)	(1,027)
Net	135,911	128,377
Movement in the above allowance:		
At beginning of year	1,027	221
Charge	238	806
Reversed	(350)	-
At end of year	960	1,027

The cost of inventories recognised as an expense includes RMB283,000 (2010: RMB806,000) in respect of write-down of inventory to a net realisable value, and has been reduced by RMB350,000 (2010: RMBNil) in respect of the reversal of such write-downs. Previous write-downs were reversed as the inventories were sold above carrying amounts.

10 AVAILABLE-FOR-SALE INVESTMENTS

	Group 2011 RMB'000	Group 2010 RMB'000
Current asset:		
Unquoted investment fund, at fair value	-	2,000
Non-current asset:		
Unquoted equity securities, at cost	10,000	-

The unquoted equity securities are measured at cost less impairment at the end of the reporting period.

In 2010, the unquoted investment fund was an investment through a fund which invests in the equity of a quoted security. It was due for maturity in 2011 and did not have a fixed rate of return. The fair values of unquoted investment fund are estimated using cash flow model discounted at a rate of 5.81% per annum. The unquoted investment fund matured during the financial year with a gain of RMB690,000 credited to the profit or loss account.

11 LEASEHOLD LAND

	Group 2011 RMB'000	Group 2010 RMB'000
Cost		
At beginning and at end of the year	24,376	24,376
Accumulated amortisation		
At beginning of the year	3,795	3,235
Amortisation	560	560
At end of the year	4,355	3,795
Carrying amount	20,021	20,581
Presentation in Statements of Financial Position:		
Current asset	560	560
Non-current asset	19,461	20,021
Total	20,021	20,581

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

12 SUBSIDIARIES

	Company 2011 RMB'000	Company 2010 RMB'000
Unquoted share capital, at cost		
At beginning of year	321,984	320,961
Addition	32,809	-
Capitalisation of amount receivables	-	1,023
At end of year	354,793	321,984

Name of subsidiary	Place of business and incorporation	Particulars of issued and fully paid up share capital RMB'000	Principal activities	Effective equity interest and voting power 2011 %	Effective equity interest and voting power 2010 %
Jiangsu Hengxin Technology Co., Ltd	People's Republic of China	352,485	Research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment	100	100
Hengxin Technology (India) Pvt Ltd	India	1,373	Marketing and trading of the Group's products to the Indian telecommunication operators	100	100

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

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

During the financial year, the Company increased its investment in the PRC subsidiary through a cash injection amounting to RMB32,809,000 (equivalent to US$5,000,000), In 2010, the Company increased its investment in the India subsidiary through the capitalisation of amount receivables from the subsidiary of RMB1,023,000 (equivalent to US$150,000).

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

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

13 PROPERTY, PLANT AND EQUIPMENT

Group	Building RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Cost						
At 1 January 2010	33,737	120,627	6,209	4,470	25,901	190,944
Additions	115	159	716	5	15,572	16,567
Transfers	8,675	23,538	71	500	(32,784)	-
Disposals	-	(3)	(97)	-	-	(100)
At 31 December 2010	42,527	144,321	6,899	4,975	8,689	207,411
Exchange realignment	-	(5)	(26)	(5)	5	(31)
Additions	27,929	1,139	1,073	292	4,235	34,668
Transfers	-	2,334	3,838	-	(6,172)	-
Disposals	-	(3,737)	(130)	(201)	-	(4,068)
At 31 December 2011	70,456	144,052	11,654	5,061	6,757	237,980
Accumulated depreciation						
At 1 January 2010	5,810	39,944	3,498	2,432	-	51,684
Depreciation	1,860	11,763	654	561	-	14,838
Disposals	-	(2)	(87)	-	-	(89)
At 31 December 2010	7,670	51,705	4,065	2,993	-	66,433
Exchange realignment	-	(3)	(17)	(11)	-	(31)
Depreciation	2,127	12,966	884	635	-	16,612
Disposals	-	(2,634)	(117)	(172)	-	(2,923)
At 31 December 2011	9,797	62,034	4,815	3,445	-	80,091
Carrying amount						
At 31 December 2010	34,857	92,616	2,834	1,982	8,689	140,978
At 31 December 2011	60,659	82,018	6,839	1,616	6,757	157,889

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment RMB'000
Company	
Cost	
At 1 January 2010	43
Disposals	(14)
At 31 December 2010 and 2011	29
Accumulated depreciation	
At 1 January 2010	19
Depreciation	9
Disposal	(14)
At 31 December 2010	14
Depreciation	10
At 31 December 2011	24
Carrying amount	
At 31 December 2010	15
At 31 December 2011	5

14 DEFERRED TAX ASSETS (LIABILITIES)

	Group	
	2011 RMB'000	2010 RMB'000
(a) Deferred tax assets		
At beginning of year	2,518	2,398
Credit to profit or loss	5	120
At end of year	2,523	2,518

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

	Allowance for doubtful receivables RMB'000	Allowance for inventory obsolescence RMB'000	Total RMB'000
At 1 January 2010	2,364	34	2,398
Credit to profit or loss	-	120	120
At 31 December 2010	2,364	154	2,518
Credit to profit or loss	-	5	5
At 31 December 2011	2,364	159	2,523

	Group	
	2011 RMB'000	2010 RMB'000
(b) Deferred tax liabilities		
At beginning of year	1,998	1,413
Charge to profit or loss	598	585
At end of year	2,596	1,998

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

15 SHORT-TERM LOANS

	Group 2011 RMB'000	2010 RMB'000
Bank loan – unsecured (Note a)	50,000	20,000
Bank loan – unsecured (Note b)	30,000	20,000
Bank loan – unsecured (Note c)	150,000	-
Total	230,000	40,000

Note:

(a) As at 31 December 2011, the unsecured bank loan of the Group amounting to RMB50,000,000 (2010: RMB20,000,000) bears effective fixed interest at 6.71% (2010: 4.59%) per annum.

(b) As at 31 December 2011, the unsecured bank loan of the Group amounting to RMB30,000,000 (2010: RMB20,000,000) bears effective fixed interest at 6.10% (2010: 5.10%) per annum.

(c) As at 31 December 2011, the unsecured bank loan of the Group amounting to RMB150,000,000 bears effective fixed interest at 6.56% per annum.

At 31 December 2011, the Group had available RMB1,031,244,000 (2010: RM1,403,588,000) of unutilised committed borrowing facilities for which all conditions precedent had been met.

16 TRADE PAYABLES

	Group 2011 RMB'000	2010 RMB'000
Outside parties	82,819	137,213
Notes payable	175,670	186,050
Total	258,489	323,263

The notes payable to banks amounting to approximately RMB175,670,000 (2010: RMB186,050,000) are secured on the Group's bank deposits amounting to RMB23,074,000 (2010: RMB55,816,000).

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

	Group 2011 RMB'000	2010 RMB'000
Ageing based on invoice date:		
0 to 90 days	126,475	192,781
91 to 180 days	111,687	128,253
181 to 360 days	19,953	1,044
Over 360 days	374	1,185
Total	258,489	323,263

16 TRADE PAYABLES (cont'd)

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

	Group	
	2011 RMB'000	2010 RMB'000
United States Dollars	135	2,008
Singapore Dollars	38	-

17 OTHER PAYABLES

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Accrued operating expenses	2,083	2,048	2,083	2,048
Other payables	26,636	23,428	43	2,375
Total	28,719	25,476	2,126	4,423

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Singapore Dollars	2,126	4,423	2,126	4,423

18 SHARE CAPITAL

	Group and Company			
	2011	2010	2011	2010
	Number of ordinary shares ('000)		S$'000	S$'000
Issued and paid-up:				
At beginning	388,000	336,000	58,342	40,766
Issued	-	52,000	-	17,576*
At end of year	388,000	388,000	58,342	58,342
Equivalent to approximately (RMB'000)			295,000	295,000

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

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

In 2010, the Company issued 52,000,000 new ordinary shares amounting to S$17,576,000 (equivalent to RMB89,229,000) for its dual listing on The Stock Exchange of Hong Kong Limited.

19 GENERAL RESERVES

	Group	
	2011 RMB'000	2010 RMB'000
Statutory surplus reserve fund:		
At beginning of year	104,839	87,287
Transfer from profit or loss	18,050	17,552
At end of year	122,889	104,839

20 SPECIAL RESERVE

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

21 REVENUE

	Group 2011 RMB'000	Group 2010 RMB'000
Sales of goods:		
Radio frequency coaxial cables	1,194,923	1,011,635
Telecommunication equipment and accessories	224,404	171,496
Total	1,419,327	1,183,131

22 OTHER OPERATING INCOME

	Group 2011 RMB'000	Group 2010 RMB'000
Interest income	3,590	4,732
Compensation claims received	1,086	641
Forfeiture of a customer deposit	988	-
Government grants	994	9,732
Government grants – Jobs credit scheme	26	33
Gain on disposal of available-for-sale investments	690	109
Others	31	45
Total	7,405	15,292

23 OTHER OPERATING EXPENSES

	Group 2011 RMB'000	Group 2010 RMB'000
Research and development expenses	14,119	7,054
Net foreign exchange loss	11,825	421
Donation	500	500
Loss on disposal of property, plant and equipment	702	8
Fair value loss on held-for-trading investments*	-	1,472
Others	1	949
Total	27,147	10,404

* *In 2010, the amount represented the decrease in fair value of the held-for-trading investments which comprised of listed fund in the PRC purchased and sold in the same year.*

24 FINANCE COSTS

	Group 2011 RMB'000	Group 2010 RMB'000
Interest expense on bank loans	13,203	9,723

25 PROFIT BEFORE INCOME TAX

This is determined after charging (crediting) the following:

	Group	
	2011 RMB'000	2010 RMB'000
(Reversal) Allowance for inventory obsolescence	(67)	806
Amortisation of leasehold land	560	560
Audit fees paid:		
– to the auditors of the Company	425	425
– to the other auditors	842	713
Cost of inventories recognised as an expense	1,157,291	960,664
Cost of defined contribution plans	3,834	2,662
Depreciation of property, plant and equipment	16,612	14,838
Directors' remuneration		
– directors of Company	2,640	2,665
– directors of the subsidiaries	1,176	549
Directors' fees – directors of the Company	1,666	1,342
Dual listing expenses written off	-	8,210
Employee benefits expense	47,174	49,233
Net foreign exchange losses	11,825	421
Loss on disposal of property, plant and equipment	702	8
Non-audit fees paid:		
– to auditors of the Company	82	20
– to the other auditors	168	-
Research and development expenses*	14,119	7,054

* *included in other operating expenses.*

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

As at 31 December 2011, the contributions due in respect of the year that had not been paid over to the schemes were approximately RMB388,000 (2010: RMB231,000). The amounts were paid subsequent to the end of the reporting period.

Five employees who received the highest remuneration

The five employees who received the highest remuneration in the Group for the year included 2 directors (2010: 1 director). Details of the remuneration paid to the director are set out in Note 5 to the financial statements.

25 PROFIT BEFORE INCOME TAX (cont'd)

Details of the remuneration paid to the 3 non-director employees (2010: 4) who received the highest remuneration in the Group for the year were as follows:

	2011 RMB'000	2010 RMB'000
Salaries, allowances and benefits in kind	1,420	1,616
Performance related bonuses	1,724	1,837
Pension scheme contributions	52	53
Total	3,196	3,506

Note: One of the non-director employees was appointed as a Director of the Company on 20 December 2011.

No amount is paid to any director during the year as an inducement to join or upon joining the Company.

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

	Number of employees	
	2011	2010
RMB1,500,001 to RMB2,000,000	1	-
RMB1,000,001 to RMB1,500,000	-	1
RMB Nil to RMB1,000,000	2	3
Total	3	4

26 INCOME TAX

	Group	
	2011 RMB'000	2010 RMB'000
Current	22,589	21,639
Underprovision of current tax in prior years	97	70
Deferred (Note 14)	593	465
Net	23,279	22,174

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

	Group	
	2011 RMB'000	2010 RMB'000
Profit before income tax	125,528	124,729
Tax at PRC statutory tax rate of 25%	31,382	31,182
Tax effect of expenses not deductible	8,089	6,150
Effect of PRC EIT exemption and concessions	(16,289)	(15,228)
Under provision of current tax in prior years	97	70
Effective tax expense	23,279	22,174

The Company

The Company has no taxable income during the financial year ended 31 December 2011 and 2010. The statutory income tax rate applicable to the Company is 17.0% (2010: 17.0%).

26 INCOME TAX

Jiangsu Hengxin Technology Co., Ltd

The subsidiary, a wholly foreign-owned enterprise ("WFOE"), established in the city of the coastal open economic zone, and is subjected to a PRC corporate tax rate of 25%. In 2008, the subsidiary has been given the High-Tech Enterprise Award status and the applicable effective tax rate will be 15% based on PRC Enterprise Income Tax laws and for the three financial years starting from 31 December 2008. During the financial year, the subsidiary renews the status to enjoy a further three financial years starting from 31 December 2011.

The effective tax rate for the subsidiary is 15.0% (2010: 15.0%).

Hengxin Technology (India) Pvt Ltd

The subsidiary is subjected to a statutory tax rate of 30.9% for taxable income below INR 10 million and 32.4% for taxable income above INR 10 million. In 2010, the subsidiary was not in taxable position.

27 EARNINGS PER SHARE

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

	Group	
	2011 RMB'000	2010 RMB'000
Profit attributable to shareholders of the Company (RMB'000)	102,249	102,555
Weighted average number of shares ('000)	388,000	337,282
Earnings per share (RMB cents) – Basic	26.4	30.4

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

28 DIVIDENDS

For the financial year ended 31 December 2011, a final tax-exempt dividend of S$0.0077 per ordinary share totalling S$2,988,000 (equivalent to RMB15,694,000) was paid to shareholders in respect of the financial year ended 31 December 2010.

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

29 CONTINGENT LIABILITIES

	Group	
	2011 RMB'000	2010 RMB'000
Secured against bank deposits:		
Letters of guarantee	774	111

30 OPERATING LEASE ARRANGEMENTS

	Group	
	2011 RMB'000	2010 RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	1,190	769

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

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Within one year	680	590	521	222
In the second to fifth years inclusive	174	464	174	318
Total	854	1,054	695	540

Operating lease payments represent rentals payable by the Group and Company for certain of its office and workshop properties. Leases are negotiated for an average of 1 to 3 years (2010: 1 to 3 years).

31 SEGMENT INFORMATION

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

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

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

The accounting policies of the operating segments are the same as the group's accounting policies describe in Note 2 to the financial statements. Segment results represent the profits earned by each segment without allocation of central administration costs, independent directors' fees, interest income, foreign exchange gains and losses and finance costs at corporate level.

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

31 SEGMENT INFORMATION (cont'd)

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

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Segment revenues and results					
2011					
Revenue	1,194,923	224,404	-	-	1,419,327
Segment results					
Segment profit	130,632	24,677	-	(10,955)	144,354
Interest income	2,954	554	-	82	3,590
Other income					3,815
Other expenses*					(13,028)
Finance costs	(11,117)	(2,086)	-	-	(13,203)
Profit before income tax					125,528
Income tax					(23,279)
Net profit for the year					102,249
2010					
Revenue	1,011,635	171,496	-	-	1,183,131
Segment results					
Segment profit	115,212	19,531	-	(12,233)	122,510
Interest income	4,046	685	-	1	4,732
Other income					10,560
Other expenses*					(3,350)
Finance costs	(8,314)	(1,409)	-	-	(9,723)
Profit before income tax					124,729
Income tax					(22,174)
Net profit for the year					102,555

* *excluding research and development expenses*

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

31 SEGMENT INFORMATION (cont'd)

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Statement of Net Assets					
2011					
Assets:					
Segment assets	1,174,067	220,327	3,982	-	1,398,376
Unallocated assets				73,173	73,173
Total assets					1,471,549
Liabilities:					
Segment liabilities	447,043	83,406	-	-	530,449
Unallocated liabilities				2,126	2,126
Total liabilities					532,575
2010					
Assets:					
Segment assets	973,879	165,933	649	-	1,140,461
Unallocated assets				109,087	109,087
Total assets					1,249,548
Liabilities:					
Segment liabilities	335,536	56,880	-	-	392,416
Unallocated liabilities				4,423	4,423
Total liabilities					396,839

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

Unallocated corporate liabilities represent other payable at corporate level.

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
Other segment information					
2011					
Capital expenditure	26,300	4,935	3,433	-	34,668
Depreciation expense	13,980	2,623	-	9	16,612
Amortisation of leasehold land	472	88	-	-	560
Inventory obsolescence allowance	(53)	(14)	-	-	(67)
2010					
Capital expenditure	13,611	2,307	649	-	16,567
Depreciation expense	12,679	2,150	-	9	14,838
Amortisation of leasehold land	479	81	-	-	560
Inventory obsolescence allowance	725	81	-	-	806

31 SEGMENT INFORMATION (cont'd)

Geographical segment

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

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

	Revenue from external customer		Non-current assets*	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Central Asia	1,287,874	1,148,809	195,588	169,200
South Asia	121,795	28,325	45	77
Others	9,658	5,997	-	-
Total	1,419,327	1,183,131	195,633	169,277

* *Including available-for-sale investment.*

Information about major customers

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

	2011 RMB'000	2010 RMB'000
Customer A[1]	448,438	353,001
Customer B[1]	210,512	236,704
Customer C[1]	209,055	173,191
Customer D[1]	114,953	127,340
Total	982,958	890,236

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

32 COMMITMENTS

	Group		Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Contracted but not provided for:				
Property, plant and equipment	6,258	14,590	-	-
Donation commitment	7,500	8,000	-	-
Total	13,758	22,590	-	-

Included in building in Note 13 to the financial statements was approximately RMB31,600,000 (2010: 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. At the end of the reporting period, the management remains committed to secure the No. 5 Land.

The PRC subsidiary has committed to donate RMB500,000 per annum from 2007, for a period of 20 years, to a charitable organisation in the PRC.

33 RECONCILIATION BETWEEN SFRSs AND INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the year ended 31 December 2011, there were no material differences between the consolidated financial statements of the Group prepared under SFRSs and IFRSs.

Statistics of Shareholdings

As at 5 March 2012

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

As at 5 March 2012, the Company did not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	5	0.37	1,033	0.00
1,000 – 10,000	567	42.35	3,814,780	0.98
10,001 – 1,000,000	758	56.61	45,427,000	11.71
1,000,001 and above	9	0.67	338,757,187	87.31
Total	1,339	100.00	388,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1	HKSCC NOMINEES LIMITED	280,505,187	72.30
2	CITIBANK NOMINEES SINGAPORE PTE LTD	40,687,000	10.49
3	CHUA BENG CHENG	5,731,000	1.48
4	OCBC SECURITIES PRIVATE LTD	3,228,000	0.83
5	HSBC (SINGAPORE) NOMINEES PTE LTD	1,925,000	0.50
6	SOH BENG HUAT	1,828,000	0.47
7	MAYBANK KIM ENG SECURITIES PTE LTD	1,788,000	0.46
8	DBS VICKERS SECURITIES (S) PTE LTD	1,672,000	0.43
9	PHILLIP SECURITIES PTE LTD	1,393,000	0.36
10	CIMB SECURITIES (SINGAPORE) PTE LTD	915,000	0.24
11	UOB KAY HIAN PTE LTD	887,000	0.23
12	UNITED OVERSEAS BANK NOMINEES PTE LTD	810,000	0.21
13	DBS NOMINEES PTE LTD	708,000	0.18
14	CHIANG LIEW CHIN	700,000	0.18
15	SOH ENG TAI	693,000	0.18
16	XU JIN	640,000	0.16
17	NG SOK MENG EVELYN	639,000	0.16
18	OCBC NOMINEES SINGAPORE PTE LTD	624,000	0.16
19	HENG TOCK HIN	570,000	0.15
20	LEE WOAN CHIOU	500,000	0.13
	TOTAL	346,443,187	89.30

Statistics of Shareholdings (cont'd)

As at 5 March 2012

SUBSTANTIAL SHAREHOLDERS AS AT 5 MARCH 2012

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Kingever Enterprises Limited	90,294,662	23.27	-	-
Wellahead Holdings Limited	28,082,525	7.24	-	-
Cui Genxiang	-	-	90,294,662[(1)]	23.27
Zhang Zhong	-	-	28,082,525[(2)]	7.24

Notes:

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

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

PUBLIC FLOAT

As at 5 March 2012, approximately 69.49% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST and Rule 8.08 of the Listing Rules of SEHK.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Hengxin Technology Ltd. ("the Company") will be held at The Fullerton Hotel Singapore, TDB Room (Lower Lobby), 1 Fullerton Square, Singapore 049178 on Thursday, 26 April 2012 at 9 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company and the Group for the year ended 31 December 2011 together with the Auditors' Report thereon. **(Resolution 1)**

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

   Mr Tay Ah Kong Bernard (Retiring under Article 89) **(Resolution 2)**
   Ms Zhang Zhong (Retiring under Article 89) **(Resolution 3)**
   Mr Xu Guoqiang (Retiring under Article 88) **(Resolution 4)**
   [See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$320,000 for the financial year ending 31 December 2012 to be paid quarterly in arrears (2011: S$320,000). **(Resolution 5)**

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

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

AS SPECIAL BUSINESS

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

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

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

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

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

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

   (the "Share Issue Mandate")

   provided that:

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

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

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

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

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments, whichever is earlier. **[See Explanatory Note (ii)]** **(Resolution 7)**

7. **Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Singapore Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding the Maximum Price as defined in paragraph 1.3.4 of the Company's Circular dated 23 March 2012 (the "Circular"), in accordance with the "Authority and Limits of the Share Purchase Mandate" set out in the Circular, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **[See Explanatory Note (iii)]** **(Resolution 8)**

8. **Authority to issue shares under the Hengxin Share Option Scheme**

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options ("Options") under the Hengxin Share Option Scheme ("the Scheme") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be transferred or issued pursuant to the exercise of the Options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iv)] **(Resolution 9)**

By Order of the Board

Shirley Lim Guat Hua
Company Secretary
Singapore, 23 March 2012

Explanatory Notes:

(i) Mr Tay Ah Kong Bernard will, upon re-election as a Director of the Company, remains as the Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee and he will be considered independent.

Ms Zhang Zhong will, upon re-election as a Director of the Company, remains as a member of the Audit Committee, Remuneration Committee and Nominating Committee and she will be considered non-independent.

(ii) The Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

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

Notice of Annual General Meeting (cont'd)

(iii) The Ordinary Resolution 8 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in paragraph 1.3.4 of the Company's Circular. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2011 are set out in greater detail in the Circular.

(iv) The Ordinary Resolution 9 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the issued shares in the capital of the Company from time to time.

IMPORTANT: Notwithstanding the passing of the Ordinary Resolution Nos. 7, 8 and 9, the Company shall from time to time comply with the relevant requirements under the Hong Kong Listing Rules in relation to issuance of securities, repurchase of shares and issuance of shares under share option scheme.

Notes:

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

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

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

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

5. The Principal Share Registrar and Branch Share Registrar of the Company will be closed from 18 April 2012 to 26 April 2012 (both days, inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending the Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Principal Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 (for Singapore Shareholders), or at the office of the Company's Branch Share Registrar, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong (for Hong Kong Shareholders) not later than 4:30 p.m. on 17 April 2012.

HENGXIN TECHNOLOGY

Registration No.: 200414927H

10 Anson Road #15-07
International Plaza
Singapore 079903
Tel: (65) 6226 2555 Fax : (65) 6221 9265

No. 138 Taodu Road
Dingshu Town, Yixing City,
Jiangsu Province, The PRC, Postal Code 214 222
Tel: (86) 510 87491482 Fax : (86) 510 87491427

www.hengxin.com.sg