COMMUNICATE WITHOUT BOUNDARIES

HENGXIN TECHNOLOGY
亨鑫科技

ANNUAL REPORT 2013

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 within the Asian continent and beyond. We also generate sales to local Indian telecommunication operators through our wholly-owned subsidiary in India.

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

Others

These include:

- High temperature resistant cables which are used as part of the raw material components for Antennas
- Antennas which are adopted by telecom operators for use in signal transmission for wireless communications

FIVE-YEAR FINANCIAL SUMMARY

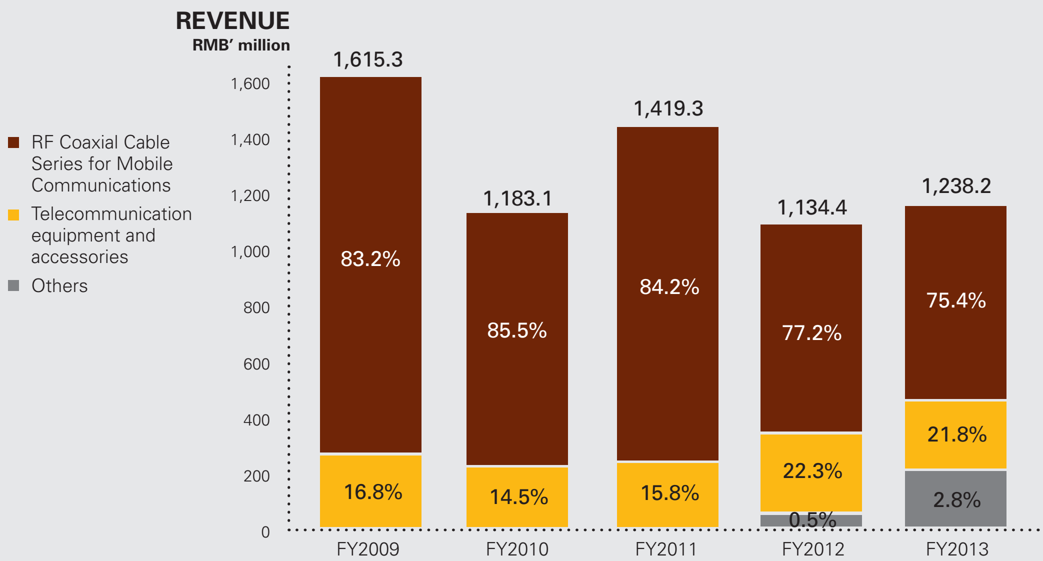
A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements is set out below.

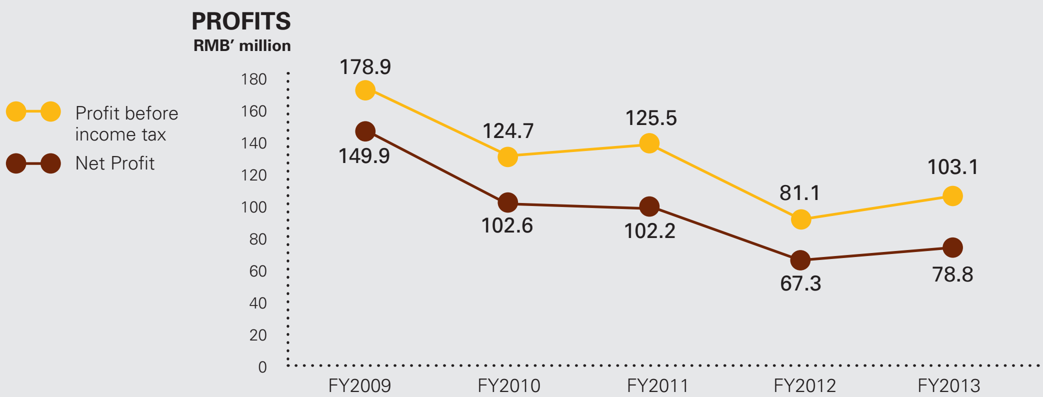
	Year ended 31 December				
	2009	**2010**	**2011**	**2012**	**2013**
	RMB '000	**RMB '000**	**RMB '000**	**RMB '000**	**RMB '000**
	(Re-stated)				
RESULTS					
REVENUE	1,615,265	1,183,131	1,419,327	1,134,343	1,238,209
Cost of sales	(1,302,579)	(961,470)	(1,157,224)	(925,952)	(996,042)
Gross profit	312,686	221,661	262,103	208,391	242,167
Other income	7,557	15,292	7,405	12,135	6,624
Selling and distribution expenses	(82,768)	(55,841)	(62,522)	(62,899)	(67,950)
Administrative expenses	(35,142)	(36,256)	(41,108)	(38,539)	(39,859)
Other operating expenses	(7,390)	(10,404)	(27,147)	(17,436)	(33,628)
Finance costs	(16,013)	(9,723)	(13,203)	(20,507)	(4,241)
Profit before income tax	178,930	124,729	125,528	81,145	103,113
Income tax expense	(29,064)	(22,174)	(23,279)	(13,867)	(24,306)
NET PROFIT	149,866	102,555	102,249	67,278	78,807

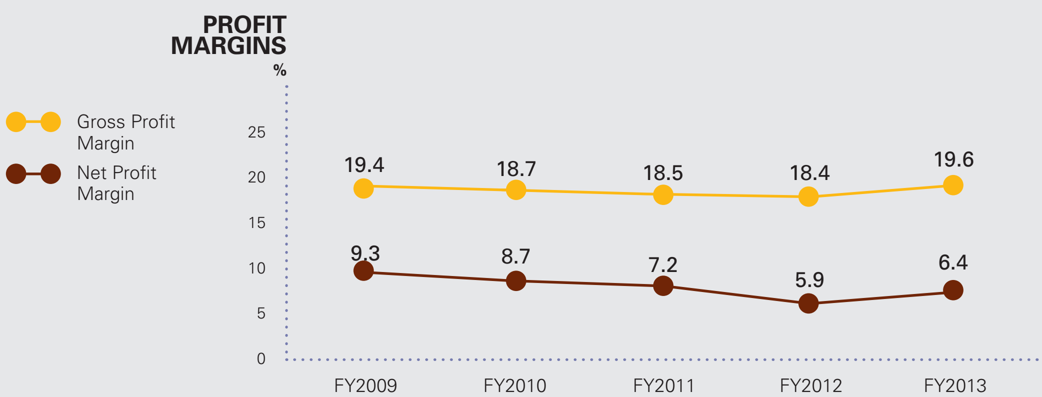
ASSETS AND LIABILITIES

TOTAL ASSETS	1,365,788	1,249,548	1,471,549	1,227,709	1,433,607
TOTAL LIABILITIES	(690,124)	(396,839)	(532,575)	(222,261)	(349,574)
	675,664	852,709	938,974	1,005,448	1,084,033

FINANCIAL HIGHLIGHTS







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COMMUNICATIONS TECHNOLOGY

FINANCIAL RATIOS & PERFORMANCE

Financial Performance	Unit	FY2009	FY2010	FY2011	FY2012	FY2013
Revenue	RMB '000	1,615,265	1,183,131	1,419,327	1,134,343	1,238,209
Gross margin	%	19.4	18.7	18.5	18.4	19.6
Profit before income tax	RMB '000	178,930	124,729	125,528	81,145	103,113
Income tax expense	RMB '000	29,064	22,174	23,279	13,867	24,306
Net profit	RMB '000	149,866	102,555	102,249	67,278	78,807

Financial Position	Unit	FY2009	FY2010	FY2011	FY2012	FY2013
Net assets	RMB '000	675,664	852,709	938,974	1,005,448	1,084,033

Financial Ratios	Note	Unit	FY2009	FY2010	FY2011	FY2012	FY2013
Earnings per share		RMB cents	44.6	30.4	26.4	17.3	20.3
Net asset per share		RMB	2.01	2.53	2.42	2.59	2.79
Return on total equity		%	22.2	12.0	10.9	6.7	7.3
Debt/equity ratio	a	%	4.1	(24.3)	(10.0)	(22.26)	(18.02)
Interest cover ratio	b	times	12.2	13.8	10.5	5.0	25.3
Current ratio	c	times	1.7	2.2	2.4	4.7	3.2
Trade receivables turnover		days	147	212	179	223	193
Inventory turnover		days	43	60	42	48	53

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

The sales of our products are dependent on the pace of network proliferation by telecom operators and the extent of their capital expenditure.

Dear shareholders,

Financial year 2013 was a challenging year for the Group as we witnessed increased competition in our key markets of China and India.

Revenue for the full year stood at RMB 1,238.2 million, as compared to RMB 1,134.3 million in 2012. The increase was due to higher demand for our products by telecom operators in China, largely in anticipation of the issuance of 4G licences to China's three major telecom operators by the Ministry of Industry and Information Technology in December 2013. Our revenue was also lifted by a 196.1% jump in export sales – a result of our unwavering focus to expand into new geographical markets.

Our gross profit margin expanded from 18.4% last year to 19.6%. Higher sales of accessories, which typically commanded higher margins than RF coaxial cables, strengthened the Group's gross profit. The higher overall gross margin was also due to our relentless efforts to enhance production efficiency and optimize resource planning, as well as a more stringent selection of suppliers who could give us the best value and quality. All these initiatives helped to alleviate pricing pressures brought about by keen competition.

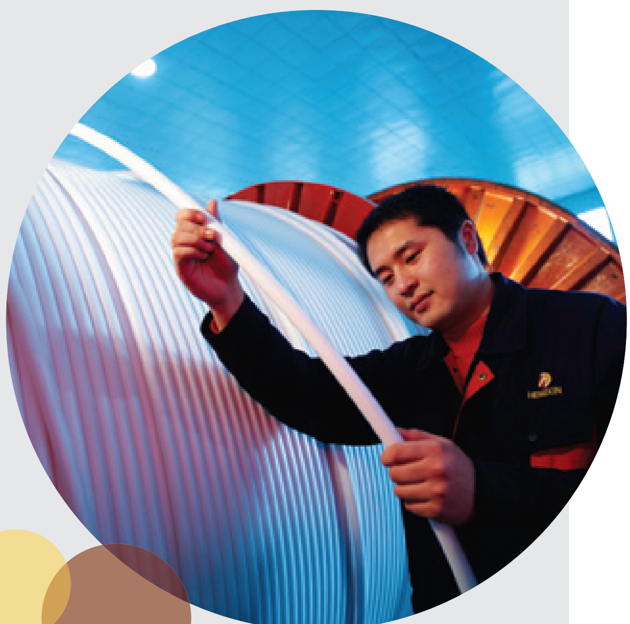
SEGMENTAL REVIEW

During the year, sales of RF coaxial cables increased 6.6% to RMB 933.0 million, representing 75.4% of total revenue, down from 77.2% in the last financial year. Accessories recorded a 7.0% jump in revenue to RMB 270.4 million, equivalent to 21.8% of total revenue compared to 22.3% in the last financial year.

Sales of our new antenna products in 2013 were slow as the annual tenders for two of the three telecom operators were pushed back to a later date. As a first step, the third telecom operator placed a relatively modest order to assess the quality of our products. Together with our High Temperature Resistant Cables, this segment of products recorded sales of RMB 34.8 million compared to RMB 6.3 million last year.

OTHER DEVELOPMENTS

In July 2013, the Group announced its possible delisting from the Singapore Exchange and a voluntary conditional cash offer ("Exit Offer") by the Offeror to acquire all the Hong Kong and Singapore registered shares. As the conditions of the Exit Offer could not be fulfilled by the stipulated date of 31 December 2013, the Exit Offer had since lapsed and the Group will remain listed on the Official List of the Singapore Exchange.



LOOKING AHEAD

In recent years, telecom operators are witnessing a slower rate of revenue growth for their telecommunication services due to the availability of cheaper alternative applications which use services provided by Internet Service Providers. As a result, telecom operators are adopting a more conservative approach in capital spending.

Looking ahead, we expect the mobile telecommunications industry to remain challenging amidst global uncertainties and intense competition. In China, new base stations that support 4G networks are increasingly using smaller sized cables and this would in turn lower our average selling prices. Coupled with the availability of possible other alternative products to be used in base stations, and more aggressive competition not just among telecom operators but telecom equipment suppliers, our margins may face downward pressure moving forward.

In India, while we anticipate growth in mobile subscribers, the telecommunications industry is constrained by lower average voice tariffs and high spectrum charges which may negatively impact our existing and potential customers.

Although we cannot control the external environment, we are constantly looking for ways to strengthen our underlying operations. To protect the Group's profitability, prudent and tight capital management will remain our key focus. We will also closely monitor the changing market conditions and optimize product mix to yield healthier margins. Efforts will also be channeled to research and development to develop new products and enhance existing ones so that they remain relevant in the dynamic and fast-changing telecommunications industry. On the marketing front, besides penetrating our key markets of China and India, we will work hard to seek new export markets by keeping our ears to the ground for opportunities and working closely with business partners.

WORDS OF APPRECIATION

On behalf of the Board of Directors, I would like to take this opportunity to thank all staff for their hard work and commitment. To all our valued shareholders, bankers, customers and suppliers, thank you for your continued support.

CUI GENXIANG
Executive Chairman

EMPOWERING LIVES

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MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

Group revenue for the financial year ended 31 December 2013 ("FY2013") increased by approximately RMB103.9 million, or approximately 9.2% from RMB1,134.3 million in the previous financial year ("FY2012") to approximately RMB1,238.2 million in FY2013. The Group experienced an increase in demand for our products during the financial year, recording higher sales for the financial year.

RF COAXIAL CABLE

Revenue generated from RF Coaxial Cables increased by approximately RMB57.6 million or approximately 6.6% from approximately RMB875.4 million in FY2012 to approximately RMB933.0 million in FY2013.

TELECOMMUNICATION EQUIPMENT AND ACCESSORIES ("ACCESSORIES")

Revenue generated from Accessories increased by approximately RMB17.8 million or approximately 7.0% from approximately RMB252.6 million in FY2012 to approximately RMB270.4 million in FY2013.

OTHERS (INCLUDES ANTENNAS AND HIGH TEMPERATURE RESISTANT CABLES)

Revenue generated from other products increased by approximately RMB28.5 million or approximately 452.4% from approximately RMB6.3 million in FY2012 to approximately RMB34.8 million in FY2013.

GROSS PROFIT MARGIN

Gross profit margin for FY2013 was approximately 19.6%, compared to approximately 18.4% in FY2012. This was due to RF Coaxial Cables which traditionally generate lower margins arising from intense competition being partially buoyed by relatively higher margins generated from the sale of accessories. The Group continues to monitor production efficiencies to ensure optimal raw materials and labour utilisation, stringent selection of suppliers in tender biddings to keep costs to a minimum, coupled with efficient use of various resources to keep up with price pressures resulting from keen competition.

OTHER INCOME

Other income decreased by approximately RMB5.5 million or approximately 45.5% from approximately RMB12.1 million in FY2012 to approximately RMB6.6 million in FY2013. The decrease is mainly due to:

1. Outright government grants amounting approximately RMB3.3 million being given to the Group's key subsidiary, Jiangsu Hengxin Technology Co. Ltd in the financial year as against RMB4.4 million in 2012;
2. Foreign exchange gains of RMB2.3 million in FY2012 as compared to a loss in the current financial year (this amount is recognised under "Other Operating Expenses"); and
3. Lower interest income of RMB2.8 million in the current financial year compared to RMB4.6 million in the previous financial year.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately RMB5.1 million or approximately 8.1% from approximately RMB62.9 million in FY2012 to approximately RMB68.0 million in FY2013 in tandem with increased revenue during the period.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately RMB1.4 million or approximately 3.6% from approximately RMB38.5 million in FY2012 to approximately RMB39.9 million in FY2013. This was due to a slight increase in business costs during the financial year.

OTHER OPERATING EXPENSES

Other operating expenses increased by approximately RMB16.2 million or approximately 93.1% from approximately RMB17.4 million in FY2012 to approximately RMB33.6 million in FY2013.

The increase was mainly due to:

1. Foreign exchange losses of approximately RMB3.9 million in FY2013 (compared to a gain in FY2012); and
2. R&D expenses from continuing R&D activities undertaken for new product specifications, increasing by approximately RMB11.8 million in FY2013 compared to FY2012.

FINANCE COSTS

Finance costs decreased by approximately RMB16.3 million or approximately 79.5% from approximately RMB20.5 million in FY2012 to approximately RMB4.2 million in FY2013 due to the lower cost of financing from a bank loan which was obtained during the financial year.

PROFIT BEFORE INCOME TAX

Profit before income tax increased by approximately RMB22.0 million or approximately 27.1% from approximately RMB81.1 million in FY2012 to approximately RMB103.1 million in FY2013.

INCOME TAX EXPENSE

The Group's main subsidiary has been subject to an incentive tax rate of 15% as it has been awarded as a high-tech enterprise in the PRC since 2008 for a period of 3 years, and further renewed for another three years from 2011.

Income tax expense increased by approximately RMB10.4 million or approximately 74.8% from approximately RMB13.9 million in FY2012 to approximately RMB24.3 million in FY2013. The increase is in line with better performance during the year, and withholding taxes paid to China tax authorities for dividends declared by one of the Group's China subsidiary to its holding company in Singapore.

NET PROFIT

In view of the above, net profit attributable to equity holders of the parent increased approximately RMB11.5 million or approximately 17.1% from approximately RMB67.3 million in FY2012 compared to approximately RMB78.8 million in FY2013.

STATEMENT OF FINANCIAL POSITION

PLEDGED BANK DEPOSITS

Pledged bank deposits are used as a pledge against commercial bills used for payment to suppliers. The decrease by approximately RMB18.2 million or approximately 90.1% from approximately RMB20.2 million as at 31 December 2012 to approximately RMB2.0 million as at 31 December 2013 was due to the Group having negotiated better terms and pricing with some of its major suppliers which reduced the need for bills during the year.

TRADE RECEIVABLES

Trade receivables increased by approximately RMB38.4 million or approximately 6.2% from approximately RMB618.4 million as at 31 December 2012 to approximately RMB656.8 million as at 31 December 2013.

Average trade receivables turnover days are 193 days as at 31 December 2013 compared to 223 days as at 31 December 2012.

Most of the trade receivables balances are recent sales which are within the average credit period given to our customers.

For amounts due more than six months and longer, these mainly pertain to final payment (upon project completion) owed by the three main PRC telecom operators. These outstanding balances relate to projects undertaken by these operators which had longer project completion date than as initially anticipated. These operators have been the Group's long-time customers and the Group has been receiving regular payments from them. In addition, the majority of these outstanding balances pertain to one of the telecom operators in the PRC. In view of the Group's long-standing dealings with them and the regular receipts it had obtained from these customers, the Group does not foresee any issue in the collection of these receivables. The Group will endeavour to continue its collection efforts on the outstanding balances.

OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments increased by approximately RMB14.8 million or approximately 60.9% from approximately RMB24.3 million as at 31 December 2012 to approximately RMB39.1 million as at 31 December 2013. The increase was mainly due to a rise in VAT receivable as at 31 December 2013.

INVENTORIES

Inventories (comprising raw materials, work-in-progress and finished goods) increased by approximately RMB74.3 million or approximately 68.7% from approximately RMB108.2 million as at 31 December 2012 to approximately RMB182.5 million as at 31 December 2013. The Group increased its inventory balance in anticipation of orders to be fulfilled after year end.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment decreased by approximately RMB8.4 million or approximately 5.5% from approximately RMB152.0 million as at 31 December 2012 to approximately RMB143.6 million as at 31 December 2013 mainly due to depreciation expenses during the year, and partly offset by certain fixed asset acquisitions during the year.

SHORT-TERM BANK LOANS

Short-term bank loans increased by approximately RMB134.8 million or approximately 321.0% from approximately RMB42.0 million as at 31 December 2012 to approximately RMB176.8 million as at 31 December 2013 due to additional loans during the year.

TRADE PAYABLES AND OTHER PAYABLES

Trade payables decreased by approximately RMB30.0 million or approximately 19.2% from approximately RMB156.3 million as at 31 December 2012 to approximately RMB126.3 million as at 31 December 2013 due to certain payments due and made to suppliers before 31 December 2013.

Other payables and accruals increased by approximately RMB15.7 million or approximately 82.2% from approximately RMB19.1 million as at 31 December 2012 to approximately RMB34.8 million as at 31 December 2013. The increase in balance arose mainly due to the bulk of performance-related payments to be made to employees after year end for FY2013 compared to payments made in tranches over the course of the previous financial year.

DEFERRED INCOME

Deferred income of RMB7.5 million relates to a government grant given to the Group, attached with certain conditions to be fulfilled within 3 years commencing September 2013.

INCOME TAX PAYABLE

Income tax payable decreased by approximately RMB1.2 million or approximately 63.2% from RMB1.9 million as at 31 December 2012 to RMB0.7 million as at 31 December 2013 due to advance taxes being paid during 4Q2013.

CASH AND BANK BALANCES

Cash and bank balances increased by approximately RMB106.3 million or approximately 40.0% from RMB265.9 million as at 31 December 2012 to approximately RMB372.2 million as at 31 December 2013 mainly due to additional loans obtained during the year.

SUBSIDIARIES

The subsidiaries of the Company are Jiangsu Hengxin Technology Co., Ltd, Jiangsu Hengxin Wireless 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.

FINANCIAL RESOURCES, LIQUIDITY AND LIABILITY POSITION

As at 31 December 2013, the Group's total assets were approximately RMB1,433,607,000 (2012: RMB1,227,709,000) (of which, current assets were approximately RMB1,253,154,000 (2012: RMB1,037,473,000) and non-current assets were approximately RMB180,453,000 (2012: RMB190,236,000) and the total liabilities were approximately RMB349,574,000 (2012: RMB222,261,000) (of which, current liabilities were approximately RMB338,607,000 (2012: RMB219,282,000) and non-current liabilities were approximately RMB10,967,000 (2012: RMB2,979,000)), and shareholder's equity reached approximately RMB1,084,033,000 (2012: RMB1,005,448,000).

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

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

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

	As at 31 December	
	2013	2012
	RMB'000	RMB'000
Net cash borrowings	**(195,367)**	(223,854)
Total equity	**1,084,033**	1,005,448
Net debt to equity ratio (%)	**(18.02)**	(22.26)

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

As at 31 December 2013	
Secured	**Unsecured**
RMB'000	RMB'000
-	176,810

As at 31 December 2012	
Secured	**Unsecured**
RMB'000	RMB'000
-	41,999

There is no amount repayable after 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 may be used to eliminate the currency exposures. The Group has not entered into such forward contracts but monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

DONATION & CAPITAL COMMITMENTS

As at 31 December 2013, 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 RMB500,000 per annum, which had been contracted but not provided for in the financial year of FY2013, were RMB73,000 (2012: RMB1,120,000) and RMB6,500,000 (2012: RMB 7,000,000) respectively.

PLEDGE OF ASSETS

As at 31 December 2013, the Group did not pledge any assets (2012: Nil) as securities for banking facilities granted by its bankers.

COMMITMENTS

As at 31 December 2013, certain constructions were built on a piece of land located in the PRC (the "No. 5 Land") amounting to approximately RMB 26.5 million (2012: RMB 27.8 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.

CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 December 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2013, there were 735 (2012: 676) 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 2013, the Group was not involved in any material litigation or arbitration.

FUTURE PROSPECTS

The growth of over-the-top (OTT) services have continued to change the broad telecommunications landscape, witnessing a trend of telecommunication services gradually using alternative technologies, such as through ISPs (Internet Service Providers). As a result, the rate of revenue increase from telecommunications services has tapered over the years. Telecom operators therefore are adopting a more conservative approach in capital spending.

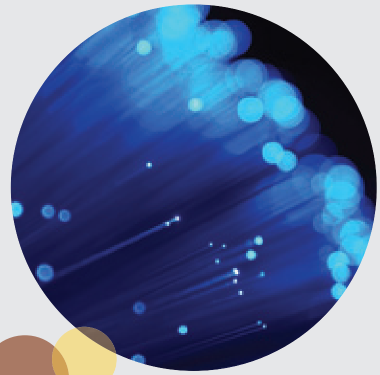
In December 2013, China issued its first 4G licences to the three major telecom operators within the PRC. In anticipation for the issue of these licences and subsequent launch of its 4G wireless networks, there was generally a higher demand for our products from customers in FY2013. However, 4G telecommunications require a much higher data capacity and transmission, and this constraint has led to smaller but a larger number of base stations being built but covering a smaller area with higher transmission capacity. These newer base stations adopt smaller sized cables, which have lower selling prices compared to larger cables. However, technology evolvement has also led to other possible alternative products to be used on base stations. The combination of the above elements, coupled with rising competition between telecom operators and telecom equipment suppliers alike may have an impact on our margins moving forward.

The telecommunications industry is characterized by fast changing, complex technologies. In order to counter the risks of technological obsolescence, we are continuing to invest in research and development to keep up with new technologies. Although such investments carry with it inherent risks, the Group is also focusing its resources to upgrading existing products in line with clients requirements.

On the marketing front, India and PRC remain the Group's key business contributors. We have been, and will be actively seeking new export markets through active engagement with potential customers and business partners.

Looking ahead, the telecoms industry especially in the area of RF cabling systems, will remain challenging. The Group will continue its efforts to monitor changing market conditions closely, make proactive refinements on the business strategies. Resources will be devoted to broadening its product variety as well as enhancing its branding. In addition, we will capitalize on our good relationships with our suppliers and customers to, amongst others, negotiate more favourable prices, and continue to market the Group's products.

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") dated 2 November 2012 on the purchase of raw materials for a term of three years commencing 1 January 2013 until 31 December 2015, 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. The annual cap in respect of the transactions under the renewed master agreement for each of the years ending 31 December 2013, 2014 and 2015 will not exceed RMB 9,000,000, RMB 9,000,000 and RMB 9,000,000 respectively. The aggregate amount paid by the Group for the purchase of raw materials amounted to approximately RMB 5.6 million (excluding VAT payable to State Administration of Taxation of the PRC amounted approximately RMB 1.0 million) for the year ended 31 December 2013.

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.

SEAMLESS CONNECTION

03

BOARD OF DIRECTORS

CUI GENXIANG
Executive Chairman

Mr. Cui Genxiang (崔根香), aged 45, 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 (吴江市七都织服厂) 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 (吴江市色织化纤厂).

XU GUOQIANG
Executive Director

Mr. Xu Guoqiang (徐國强), aged 41, 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 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.

ZHANG ZHONG

Non-Executive Director

Ms. Zhang Zhong (张钟), aged 59, 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).

CHEE TECK KWONG PATRICK

PBM, Independent Non-Executive Director

Mr. Chee Teck Kwong Patrick (徐泽光), PBM, aged 59, 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 the Singapore Exchange Securities Trading Limited, namely China International Holdings Limited, Hai Leck Holdings Limited, Hanwell Holdings Limited, Ramba Energy Limited and Tat Seng Packaging Group Ltd.. During the past three years, Mr. Chee was also a director of a listed company named Singapore Windsor Holdings Limited.

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.

TAY AH KONG BERNARD

Independent Non-Executive Director

Mr. Tay Ah Kong Bernard, aged 64, 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 Public Accountants and Chartered Accountants firm and Chairman of the Risk Committee of RHT Capital Pte Ltd (RHT). RHT is an approved SGX (Catalist) Continuing Sponsor's Company. Mr. Tay is an independent director of several public companies listed on the Main Board and Catalist of the Singapore Exchange Securities Trading Limited, including China Hongxing Sports Limited, OEL (Holdings) Limited (formerly known as Oakwell Engineering Limited), China Yongsheng Limited, Ramba Energy Limited and SIIC Environment Holdings Ltd. During the past three years, Mr. Tay was also a director of a listed company named Juken Technology 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.

Mr. Tay is a recipient of the Service to Education Award and Community Service Medal and was conferred the Bintang Bakti Masyarakat (Public Service Star) and 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 Singapore Chartered Accountants 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.

TAM CHI KWAN MICHAEL

Independent Non-Executive Director

Mr. Tam Chi Kwan Michael (譚志昆), aged 50, 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. During the past three years, Mr. Tam was also a director of a listed company named Singapore Windsor Holdings Limited.

KEY MANAGEMENT

LEOW CHIN BOON
Chief Financial Officer

Mr. Leow Chin Boon, aged 37, 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 Singapore Chartered Accountants.

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

Mr. Di Hai (狄海), aged 41, 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 42, 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 #32-15
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 16 OF THE HONG KONG COMPANIES ORDINANCE
2703, 27th Floor, The Centre,
99 Queen's 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. Tam Chi Kwan Michael
(Lead independent director)
Mr. Tay Ah Kong Bernard
Mr. Chee Teck Kwong Patrick

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
Mr. Tam Chi Kwan Michael

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

AUTHORISED REPRESENTATIVES
Mr. Cui Genxiang
Ms. Wong Wai Han

JOINT COMPANY SECRETARIES
Ms. Shirley Lim Guat Hua (ACIS)
(Singapore)
Ms. Wong Wai Han LLB (Hons)
(Hong Kong)

LEGAL ADVISORS
Edwards Wildman Palmer
2703, 27th Floor, The Centre,
99 Queen's Road Central
Hong Kong

AUDITORS
Deloitte & Touche LLP
Chartered Accountants
6 Shenton Way OUE Downtown 2
#32-00
Singapore 068809
Partner-in-charge: Chua How Kiat
(Appointed since 24 August 2012)

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
(which will be relocated to
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong
with effect from 31 March 2014)

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 dual listed on both the Main Board of The Stock Exchange of Hong Kong Limited (the "SEHK") and the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Company has adopted, for corporate governance purposes, the code provisions of the Corporate Governance Code (Appendix 14 of the Rules Governing the Listing of Securities on the SEHK (the "Listing Rules")) (the "Hong Kong Code"), in addition to the Singapore Code of Corporate Governance 2012 (the "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 financial year ended 31 December 2013 ("FY2013"), 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 long-term success of the company. The Board works with Management to achieve this objective and 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, an Executive Risk 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 report, 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 2013, the number of general meetings, Board and other Committee meetings held and the attendance by each member at these meetings are set out as follows:

Name	General Meeting		Board		Audit Committee		Remuneration Committee		Nominating Committee		Executive Risk 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	No. of Meetings Held	No. of Meetings Attended
Cui Genxiang	1	1	7	7	NA	NA	NA	NA	1	1	2	2
Zhang Zhong	1	1	7	5	5	4	1	1	1	1	NA	NA
Tay Ah Kong Bernard	1	1	7	7	5	5	1	1	1	1	NA	NA
Chee Teck Kwong Patrick	1	1	7	7	5	5	1	1	1	1	NA	NA
Tam Chi Kwan Michael [1]	1	1	7	7	5	4	NA	NA	NA	NA	NA	NA
Xu Guoqiang	1	1	7	7	NA	NA	NA	NA	NA	NA	2	2
Leow Chin Boon	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2	2

NA: Not applicable

[1] Note: Mr. Tam Chi Kwan Michael was appointed as a member of the Nominating Committee and Remuneration Committee on 5 March 2014.

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. Any newly appointed Director shall receive appropriate induction training and coaching to develop individual skills as required. During FY2013, the Board has participated in continuous professional development to develop and refresh their knowledge and skills, including the training course provided by the legal advisor of the Company.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. 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	24 April 2013	-
Zhang Zhong	Non-executive Director	23 June 2005	26 April 2012	23 April 2014
Tay Ah Kong Bernard	Independent Non-executive Director	18 January 2007	26 April 2012	-
Chee Teck Kwong Patrick	Independent Non-executive Director	18 January 2007	24 April 2013	-
Tam Chi Kwan Michael	Lead Independent Non-executive Director	10 December 2010	28 April 2011	23 April 2014
Xu Guoqiang	Executive Director	20 December 2011	26 April 2012	-

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, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgement 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 half 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 responsibilitie; and
- the Board should consider its diversity from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service according to the Board Diversity Policy which has been adopted by the Board during the year and has been made available on the website of the Company for better transparency and governance. All Board appointments will be based on merit, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

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 judgement 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, diversity of skills, knowledge, experience and perspectives, 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 Non-executive 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 between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent 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. During the year, the Executive Chairman had a meeting with Non-executive Directors, including the Independent Non-executive Directors, without the Executive Directors present.

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

The Board has appointed Mr. Tam Chi Kwan Michael as the Lead Independent Director of the Company to address the concerns of the shareholders and employees in the event the normal interactions with the Executive Chairman and Executive Director could not satisfactorily resolve their concerns or where such channel of communications is considered inappropriate.

Led by the Lead Independent Director, the Independent Directors meet periodically without the presence of the other directors, and the Lead Independent Director will provide feedback to the Executive Chairman.

Nominating Committee
Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

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
Tam Chi Kwan Michael	Member, Lead 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 FY2013 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;

(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; and

(e) the review of board succession plans for Directors.

The Terms of Reference of Nominating Committee are posted on the websites of the Company and the SEHK.

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 Ms. Zhang Zhong and Mr. Tam Chi Kwan Michael. Their profiles are shown on pages 23 and 24 of the Annual Report.

The NC has considered the commitments that are faced when directors serve on multiple boards. For the current financial year, the Board is satisfied that each Director has allocated sufficient time and resources to the affairs of the Company

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees 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 FY2013.

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, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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 Joint 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, SGX-ST and SEHK are complied with.

The Board has separate and independent access to the Management and the Joint 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 Joint 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
Tam Chi Kwan Michael	Member, Lead 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 Terms of Reference of Remuneration Committee are posted on the websites of the Company and the SEHK.

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 FY2013, the Remuneration Committee has convened one meeting.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, the company should avoid paying more than is necessary for this purpose.

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 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.

Corporate Governance Report (cont'd)

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.

The breakdown of remuneration of the Directors for FY2013 is set out below:-

Directors	Band	Salary (%)	Bonus (%)	Director's fees (%)	Benefit-in-kind (%)	Total (%)
Cui Genxiang	A	100	-	-	-	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	A	72.9	27.1	-	-	100

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

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

	FY2013
S$250,000 – S$500,000	2
Below S$250,000	3
Total	5

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

In aggregate, the total remuneration paid to the top five key management personnel in financial year ended 2013 is RMB 2,537,000.

There is an employee who is an immediate family member of a Director whose remuneration exceeded S$50,000 during FY 2013.

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 (the "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 the FY2013 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.

Risk Management and internal controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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 Group, which reviews include the areas of financial, operational and compliance risks.

1. Framework of Risk Management ("Risk Management Framework")

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the internal processes of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of operational, financial and compliance risks. The Board approves the key management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instills the right risk focused culture throughout the Group for effective risk governance.

To facilitate the set-up of a strong system of risk management and internal controls, Yang Lee & Associates was appointed in establishing a Risk Management Framework.

As part of the Risk Management Framework, the Company has an Executive Risk Committee comprising the Executive Chairman, an Executive Director and the Chief Financial Officer ("Executive Risk Committee") to assist the Board in its oversight of risk management. The current members comprise the Executive Chairman, Mr. Cui Genxiang, Executive Director, Mr. Xu Guoqiang and Chief Financial Officer, Mr. Leow Chin Boon.

(a) Role and Responsibilities of the Executive Risk Committee

The Executive Risk Committee holds at least one meeting per year. During FY2013, the Executive Risk Committee has convened two meetings. The key functions of the Executive Risk Committee under its Terms of Reference are, inter alia:-

i. advise the Board on the company's overall risk tolerance and strategy;

ii. oversee and advise the Board on the current risk exposures and future risk strategy of the company;

iii. review new businesses that the company may plan to undertake;

iv. review any potential investments that are not within the ordinary course of business of the company;

v. review reports on any material breaches of risk limits and the adequacy of proposed action; and

vi. before a decision to proceed is taken by the Board, advise the Board on proposed strategic transactions, focusing in particular on risk aspects and implications for the risk tolerance of the company, and taking independent external advice where appropriate and available.

(b) Management's Responsibilities in Risk Management

Management is responsible for designing, implementing and monitoring the risk management and internal controls system in accordance with the policies on the same.

(c) Annual Review of the Group's Risk Management and Internal Control Systems

The Board has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems. The assessment considered issues dealt with in reports reviewed by the Executive Risk Committee, the Board and the Audit Committee during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for FY2013.

In obtaining assurance that the Group's risks and Internal Control Systems are managed adequately and effectively, the Board:

i. had reviewed an overview of the risks which the Group is exposed to, as well as an understanding of what countermeasures and internal controls are in place to manage them;

ii. had reviewed the results of various assurance activities performed; and

iii. obtained a written confirmation from the Executive Chairman, Executive Director and Chief Financial Officer of the Group that:

- the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

- the Group's internal control system as part of the Risk Management Framework is adequate.

2. Opinion on Adequacy of the Group's Internal Controls

Based on the Group's Risk Management Framework, the internal control policies and procedures established and maintained by the Group, the regular audits, monitoring and reviews performed by the internal and external auditors, and reviews performed and confirmations by Management, the Board with the concurrence of the Audit Committee, is of the opinion that the Group's system of internal controls in place, which addresses the financial, operational and compliance risks, is adequate.

Audit Committee

Principle 12: The Board should establish an Audit Committee ("AC") 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, Lead 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) In connection with the external audit of the financial statements of the Group for the year ended 31 December 2013, the external auditors, Deloitte & Touche LLP have reviewed aspects of books, records, and internal accounting controls of the Group and have not noted any material internal control weakness;

(b) review the quarterly and annual financial statements and statement of financial position and statement of profit or loss and other comprehensive income 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 and Chapters 14 and 14A of the Listing Rules;

(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.

Corporate Governance Report (cont'd)

The Terms of Reference of Audit Committee are posted on the websites of the Company and the SEHK.

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 and the Listing Rules. 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 external auditors provides regular updates and periodic briefings to the Audit Committee on changes or amendments to accounting standards to enable the members of the Audit Committee to keep abreast of such changes and their corresponding impact on the financial statements, if any.

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 Listing Manual is complied with.

The auditors of the Company's subsidiaries are disclosed in note 12 to the financial statements in this annual report.

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 FY2013, the Audit Committee has convened five 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 FY2013, 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 Auditor's Report to the shareholders of the Company on page 54 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 FY2013.

For FY2013, the total remuneration in respect of review and audit services provided by Deloitte & Touche LLP, Singapore and Deloitte affiliated firms for the Group amounted to approximately RMB 1.66 million and in respect of non-audit services provided by Deloitte amounted to approximately less than RMB 0.05 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 Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and 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 based on key operational, financial and compliance risks as identified under the Framework of Risk Management and 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) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Corporate Governance Report (cont'd)

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

As per the Hong Kong Code, the following information would be communicated to shareholders from time to time:

- any significant changes in the Company's Articles of Association;
- details of shareholders by type and aggregate shareholding;
- details of the last shareholders' meeting, including the time and venue, major items discussed and voting particulars;
- indication of important shareholders' dates in the coming financial years; and
- public float capitalisation as at the end of the year.

The Company does not have a dividend policy. However, the company will work towards maintaining a balance between meeting shareholders' expectations and prudent capital management.

A first and final dividend of S$0.0042 per share has been recommended for FY2013 to be approved by shareholders at the coming AGM on 23 April 2014.

In line with continuous disclosure obligations of the Company, pursuant to the Listing Manual, the Singapore Companies Act and the Listing Rules, 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 the SEHK;
- 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;
- Shareholders may refer to the Company's Articles of Association in relation to their rights together with the detailed requirements and procedures for requesting the Board to convene an extraordinary general meeting or putting forward proposals at general meetings. The Company's Articles of Association is posted on the websites of the Company and the SEHK; and
- Shareholders may also direct their questions to the Company by contacting Mr. Leow Chin Boon, Chief Financial Officer at hengxin@listedcompany.com (by email).

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 (the "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" (the "Model Code") as set out in Appendix 10 of the Listing Rules. 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 FY2013.

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 half-year 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 S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the Listing Manual (excluding transaction less than S$100,000)	
	RMB'000		RMB'000	
Name of interested person	2013	2012	2013	2012
Suzhou Hengli Telecommunications Materials Co. Ltd - Purchase of raw materials	5,597	3,581	N/A	N/A

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

Corporate Governance Report (cont'd)

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 FY2013 which fall under Chapter 14A of the Listing Rules are set out in the section headed "Continuing Connected Transactions" in this annual report.

(G) MATERIAL CONTRACTS

There are no material contracts of the Group involving the interests of any Directors or substantial shareholders subsisting at the end of FY2013.

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

The Company 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.

Pursuant to the announcement made by the Company on 9 October 2012, the Company has resolved to adjust the allocation of the utilisation of proceeds due to a change in its operations and business environment. As at 31 December 2013, the Company's balance of unutilised net proceeds stood at approximately RMB 10.37 million from the said IPO. The following table details the revised allocation and utilisation of proceeds:

	IPO Proceeds (Revised Allocation)		Used	Balance
Intended Use	HKD'000	Equivalent to RMB'000	RMB'000	RMB'000
Diversify product portfolio of High Temperature Resistant Cables	8,350	7,130	(6,323)	807
Diversify product portfolio of Antennas	41,420	35,370	(35,370)	-
Expansion of sales network into overseas market	8,645	7,382	(1,153)	6,229
Enhance research and development	8,645	7,382	(4,048)	3,334
General working capital	27,940	23,859	(23,859)	-
Total	95,000	81,123	(70,753)	10,370

The breakdown of the use of proceeds for general working capital is as follows:

Details	Used RMB'000
Purchase of raw materials	22,918
Purchase of equipment	495
General admin expenses	446
Total	23,859

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 2013.

1 DIRECTORS

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

Cui Genxiang	(Executive Chairman)
Xu Guoqiang	(Executive Director)
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	(Lead 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 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 2013	At 31 December 2013	At 1 January 2013	At 31 December 2013
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 2014, were the same at 31 December 2013.

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. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations.

5 SHARE OPTIONS

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

Chee Teck Kwong Patrick (Chairman)
Tam Chi Kwan Michael
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;

6 AUDIT COMMITTEE (cont’d)

(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 ADDITION 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 antennas and radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment.

RESULTS AND DIVIDENDS

The Group’s profit for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 56 to 98 of this annual report.

A first and final dividend of SGD$0.0042 (2012: Nil) per share has been recommended for the financial year ended 31 December 2013.

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 19 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 service agreement for Mr. Cui Genxiang had been renewed for a term of another three years commencing 1 January 2013.

The Company first appointed 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, on 23 June 2005, 18 January 2007, 18 January 2007 and 10 December 2010 respectively. The Company also entered into a letter of appointment with 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 on 10 December 2010.

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.

Report of the Directors (cont'd)

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

As at 31 December 2013, 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 2013 and 21 January 2014.

Saved as disclosed above, as at 31 December 2013, 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 2013, 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 2013, no person, other than the Directors, whose interests are set out in the section "Directors' interests and chief executive's 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 favour 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, 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 2013 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 20 and 21 to the financial statements.

DISTRIBUTABLE RESERVES

Profits attributable to shareholders, before dividends, of RMB 78,807,000 (2012: RMB 67,278,000) have been transferred to reserves. Other movements in reserves are set out in Note 20 to the financial statements.

DONATIONS

The Group had made donations amounting RMB 500,000 (2012: RMB 500,000) 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 2013, sales to the Group's five largest customers accounted for approximately 68.6% of the total sales for the year and sales to the largest customer included therein amounted to approximately 30.5%. Purchases from the Group's five largest suppliers accounted for approximately 37.0% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 9.9%.

Report of the Directors (cont'd)

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

12 March 2014

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 56 to 98 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 2013, 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

12 March 2014

Independent Auditors' Report

To The Members Of Hengxin Technology Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of Hengxin Technology Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2013, and the consolidated statement of profit or loss and other 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 year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 98.

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 a 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 controls 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 2013 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
Chartered Accountants
Singapore

12 March 2014

Statements of Financial Position

31 December 2013

	Note	Group 2013 RMB'000	Group 2012 RMB'000	Company 2013 RMB'000	Company 2012 RMB'000
ASSETS					
Current assets					
Cash and cash equivalents	6	372,177	265,853	17,215	22,863
Pledged bank deposits	6	1,960	20,170	-	-
Trade receivables	7	656,795	618,352	-	-
Other receivables and prepayments	8	39,113	24,297	96,086	5,496
Inventories	9	182,549	108,241	-	-
Leasehold land	11	560	560	-	-
Total current assets		1,253,154	1,037,473	113,301	28,359
Non-current assets					
Other receivables and prepayment	8	5,760	5,760	-	-
Available-for-sale investments	10	10,000	10,000	-	-
Leasehold land	11	18,341	18,901	-	-
Subsidiaries	12	-	-	392,544	392,386
Property, plant and equipment	13	143,615	151,957	-	-
Deferred tax assets	14	2,737	3,618	-	-
Total non-current assets		180,453	190,236	392,544	392,386
Total assets		1,433,607	1,227,709	505,845	420,745
LIABILITIES AND EQUITY					
Current liabilities					
Short-term loans	15	176,810	41,999	-	-
Trade payables	16	126,254	156,293	-	-
Other payables	17	34,822	19,074	7,853	3,663
Income tax payable		721	1,916	-	-
Total current liabilities		338,607	219,282	7,853	3,663
Non-current liabilities					
Deferred income	18	7,500	-	-	-
Deferred tax liabilities	14	3,467	2,979	-	-
Total non-current liabilities		10,967	2,979	-	-
Capital and reserves					
Share capital	19	295,000	295,000	295,000	295,000
General reserves	20	149,215	134,381	-	-
Special reserve	21	(6,017)	(6,017)	-	-
Translation reserves		(1,320)	(1,098)	-	-
Accumulated profits		647,155	583,182	202,992	122,082
Total equity		1,084,033	1,005,448	497,992	417,082
Total liabilities and equity		1,433,607	1,227,709	505,845	420,745

See accompanying notes to financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Financial Year Ended 31 December 2013

	Note	Group 2013 RMB'000	Group 2012 RMB'000
Revenue	22	1,238,209	1,134,343
Cost of sales		(996,042)	(925,952)
Gross profit		242,167	208,391
Other operating income	23	6,624	12,135
Selling and distribution expenses		(67,950)	(62,899)
Administrative expenses		(39,859)	(38,539)
Other operating expenses	24	(33,628)	(17,436)
Finance costs	25	(4,241)	(20,507)
Profit before income tax	26	103,113	81,145
Income tax	27	(24,306)	(13,867)
Profit for the year		78,807	67,278
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		(222)	(804)
Total comprehensive income for the year		78,585	66,474
Earnings per share (RMB cents)			
- basic	28	20.3	17.3
- diluted	28	20.3	17.3

See accompanying notes to financial statements.

Statements of Changes in Equity

Financial year ended 31 December 2013

Group	Share capital RMB'000	General reserves RMB'000	Special reserve RMB'000	Translation reserves RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2012	295,000	122,889	(6,017)	(294)	527,396	938,974
Profit for the year	-	-	-	-	67,278	67,278
Other comprehensive income for the year	-	-	-	(804)	-	(804)
Total comprehensive income for the year	-	-	-	(804)	67,278	66,474
Transfer to general reserves	-	11,492	-	-	(11,492)	-
Balance at 31 December 2012	295,000	134,381	(6,017)	(1,098)	583,182	1,005,448
Profit for the year	-	-	-	-	78,807	78,807
Other comprehensive income for the year	-	-	-	(222)	-	(222)
Total comprehensive income for the year	-	-	-	(222)	78,807	78,585
Transfer to general reserves	-	14,834	-	-	(14,834)	-
Balance at 31 December 2013	295,000	149,215	(6,017)	(1,320)	647,155	1,084,033

Company	Share capital RMB'000	Accumulated profits RMB'000	Total RMB'000
Balance at 1 January 2012	295,000	130,840	425,840
Loss for the year representing total comprehensive income for the year	-	(8,758)	(8,758)
Balance at 31 December 2012	295,000	122,082	417,082
Profit for the year representing total comprehensive income for the year	-	80,910	80,910
Balance at 31 December 2013	295,000	202,992	497,992

See accompanying notes to financial statements.

Consolidated Statement of Cash Flows

Financial year ended 31 December 2013

	Group 2013 RMB'000	Group 2012 RMB'000
Operating activities		
Profit before income tax	103,113	81,145
Adjustments for:		
Depreciation of property, plant and equipment	19,033	18,550
Interest expense	4,241	20,507
Net foreign exchange (gains) losses	(385)	(1,762)
Loss on disposal of property, plant and equipment	339	13
Amortisation of leasehold land	560	560
(Reversal) Allowance for inventory obsolescence	(1,180)	438
Gain on disposal of available-for-sale investments	-	(178)
Interest income	(2,815)	(4,640)
Operating cash flows before working capital changes	122,906	114,633
Inventories	(73,128)	27,232
Trade receivables	(38,443)	116,244
Other receivables and prepayments	(14,816)	3,959
Trade payables	(30,039)	(102,196)
Other payables and deferred income	23,248	(9,645)
Cash generated (used in) from operations	(10,272)	150,227
Interest received	2,815	4,640
Income tax paid	(24,132)	(25,434)
Net cash (used in) from operating activities	(31,589)	129,433
Investing activities		
Acquisition of property, plant and equipment	(11,075)	(12,631)
Proceeds on disposal of available-for-sale investments	-	45,178
Purchase of available-for-sale investments	-	(45,000)
Proceeds from disposal of property, plant and equipment	44	-
Net cash used in investing activities	(11,031)	(12,453)
Financing activities		
Decrease in pledged bank deposits	18,210	32,713
Interest paid	(4,241)	(20,507)
Proceeds from short-term bank loans	241,610	131,999
Repayment of short-term bank loans	(106,799)	(320,000)
Net cash from (used in) financing activities	148,780	(175,795)
Net increase (decrease) in cash and cash equivalents	106,160	(58,815)
Cash and cash equivalents at beginning of year	265,853	323,710
Effects of foreign exchange rate changes	164	958
Cash and cash equivalents at end of year (Note 6)	372,177	265,853

See accompanying notes to financial statements.

Notes to Financial Statements

31 December 2013

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 and registered office at 10 Anson Road #32-15, 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.

As at December 31 2013, the Group's current assets less current liabilities and total assets less current liabilities amounted to RMB914,547,000 (2012: RMB818,191,000) and RMB1,095,000,000 (2012 : RMB1,008,427,000 respectively.

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 2013 were authorised for issue by the Board of Directors on 12 March 2014.

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") issued by Singapore Accounting Standards Council.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2013, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

Under the amendments to FRS 1, the Group grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation change, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 113 *Fair Value Measurement*

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently the Group has not made any new disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the financial statements.

At the date of authorisation of the financial statements, the Directors anticipate that the adoption of the FRS, INT FRS and amendments to FRS that were issued but effective only in future periods is not expected to have a material impact on the financial statements of the Group and of the Company in the period 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 profit or loss and other 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; 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.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

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

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Loans and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans 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 financial assets

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 of 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 profit or loss, and other changes are recognised in other comprehensive income.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

For financial assets measured at amortised cost, 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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves. In respect of available-for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

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.

Derecognition of financial liabilities

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

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and it is not expected to be realised or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

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 machinery	-	10 years
Office equipment	-	5 years
Motor vehicles	-	5 years

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 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 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Notes to Financial Statements (cont'd)

31 December 2013

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 profit or loss and other 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 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).

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.

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 profit or loss and other 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 at 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.

GENERAL 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 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

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

The following is the critical judgement, 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.

Impairment of property, plant and equipment

As described in Note 31 to the financial statements, the Group had constructed RMB26,531,000 (2012 : RMB27,800,000) of property, plant and equipment on a piece of land which the Group has not obtained the land use right. Management is of the opinion that no impairment is required and the Group is more likely than not to be able to eventually secure the land use right. In making its judgement, Management considers the opinion of its legal advisor as well as take into account the facts and circumstances surrounding the procession of the land use right.

(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.

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

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

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.

Fair value of available-for-sale equity investment and embedded derivative

Determining the fair value of the available-for-sale equity instruments and the embedded derivatives required the use of valuation methods. The valuation methods require the use of estimates such as projected future cash flows, weighted average cost of capital, expected dividend yield, etc. The carrying amount of the available-for-sale equity instruments and relevant disclosures about the embedded derivatives are disclosed in Note 10.

Impairment of investment in subsidiary

Determining whether investment in subsidiary is impaired requires an estimation of the value in use of those investments. The value in use calculation requires the Company to estimate the future cash-flows expected from the cash-generating units and an appropriate discount rate in order to calculate the present value of the future cash-flows. Management has evaluated the recoverability of those investments based on such estimates and is confident that the allowance for impairment, where necessary, is adequate. The carrying amount of the investment in subsidiary is disclosed in Note 12 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 Note 13 to the financial statements.

Impairment of property, plant and equipment and leasehold land

At the end of the reporting period, management reviews the carrying amounts of its property, plant and equipment and leasehold land to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, management carried out impairment reviews of its property, plant and equipment and leasehold land. In making its judgement, management considered the future cash flows expected to arise from the cash generating unit and suitable discount rates in order to calculate the present value. 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	
	2013	2012
	RMB'000	RMB'000
Net cash borrowings	(195,367)	(223,854)
Total equity	1,084,033	1,005,448
Net debt to equity ratio (%)	(18.02)	(22.26)

(b) Categories of financial instruments

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

	Group	
	2013	2012
	RMB'000	RMB'000
Group		
Financial assets		
Loans and receivables (including cash and cash equivalents)	1,045,289	912,877
Available-for-sale financial assets	10,000	10,000
Financial liabilities		
Borrowings and payables, at amortised cost	337,886	217,366
Company		
Financial assets		
Loans and receivables (including cash and cash equivalents)	113,270	28,355
Financial liabilities		
Payables at amortised cost	7,853	3,663

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(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, cash and cash equivalents 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 management

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 in PRC and its functional currency is RMB. However, certain sales and purchases of the Group are denominated in United States dollars ("USD"), Singapore dollars ("SGD"), Hong Kong dollars (HKD) and Euro, which are currencies other than the functional currency of the relevant group entities and expose the Group to foreign currency risk.

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		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
USD				
Cash and cash equivalents	1,714	1,154	1,508	927
Trade receivables	2,831	-	-	-
Other receivables and prepayments	5	-	914	5,342
Short term loans	(176,810)	(21,999)	-	-
Trade payables	-	(217)	-	-
Net	(172,260)	(21,062)	2,422	6,269

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)

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
SGD				
Cash and cash equivalents	15,569	21,911	15,569	21,911
Other receivables and prepayments	172	154	172	154
Other payables	(7,853)	(3,663)	(7,853)	(3,663)
Total	7,888	18,402	7,888	18,402
HKD				
Cash and cash equivalents	138	25	138	25
Trade payables	-	37	-	-
Total	138	62	138	25
Euro				
Cash and cash equivalents	737	500	-	-
Trade receivables	197	-	-	-
Other receivables and prepayments	224	-	-	-
Total	1,158	500	-	-

The Group has set up 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.

	USD impact		SGD impact		HKD impact		Euro impact	
	2013	2012	2013	2012	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit or loss								
Group	17,226	2,106	(789)	(1,840)	(14)	(6)	(116)	(50)
Company	(151)	(627)	(789)	(1,840)	(14)	(3)	-	-

The Group's sensitivity to foreign exchange rate changes has increased (2012 : increased) during the current period mainly due to an increase (2012 : increase) in monetary liabilities (2012: assets) denominated in foreign currency during the current period.

(iii) Interest rate risk management

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's interest rate exposure relates primarily to its bank loans as detailed in Note 15 to the financial statements. The Group's monitors the interest rates on borrowings closely to ensure that the borrowings are maintained at favourable rate.

Surplus funds are placed with reputable banks.

Interest rate sensitivity

At the end of the financial year, if USD interest rates had been 20 basis points lower/higher with all other variables held constant, the Group's profit would have been RMB354,000 (2012 : RMB Nil) higher/lower, arising mainly as a result of lower/higher interest income from fixed deposits and lower/higher interest expense on its variable rates borrowings. A 20 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.

(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.

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

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

(iv) Credit risk management (cont'd)

The Group's credit risk primarily relates to the Group's trade and other receivables, advance payments to suppliers, cash and cash equivalents and pledged bank deposits. There is significant concentration of credit risk as the top five biggest customers account for over approximately 77% (2012 : 86%) of the carrying amounts of trade receivables as at 31 December 2013. Most of these customers have long standing relationship with the Group and are 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.

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

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

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 statements of financial position.

(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, if any.

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

Liquidity and interest risk analyses

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets excluding available-for-sale 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.

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)

	Weighted average effective interest rate	On demand or less than 1 year	Adjustment	Total carrying amount
	%	RMB'000	RMB'000	RMB'000
Group				
2013				
Trade receivables	-	656,795	-	656,795
Other receivables	-	14,357	-	14,357
Fixed deposits	2.09	7,868	(177)	7,691
Cash and cash equivalents	1.18	368,787	(4,301)	364,486
Pledged bank deposits	2.80	2,015	(55)	1,960
Total		1,049,822	(4,533)	1,045,289
2012				
Trade receivables	-	618,352	-	618,352
Other receivables	-	8,502	-	8,502
Fixed deposits	8.65	13,913	(1,108)	12,805
Cash and cash equivalents	1.09	255,806	(2,758)	253,048
Pledged bank deposits	3.00	20,775	(605)	20,170
Total		917,348	(4,471)	912,877
Company				
2013				
Other receivables	-	96,055	-	96,055
Cash and cash equivalents	0.12	11,181	(13)	11,168
Fixed deposits	0.05	6,050	(3)	6,047
Total		113,286	(16)	113,270
2012				
Other receivables	-	5,492	-	5,492
Cash and cash equivalents	0.15	22,591	(34)	22,557
Fixed deposits	0.05	306	*	306
Total		28,389	(34)	28,355

* 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	Between 1 to 3 months	Between 3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group						
2013						
Trade and other payables	-	73,486	15,055	72,535	161,076	161,076
Short-term bank loans	2.50	-	1,090	177,839	178,929	176,810
Total		73,486	16,145	250,374	340,005	337,886
2012						
Trade and other payables	-	87,777	15,055	72,535	175,367	175,367
Short-term bank loans	4.11	42,054	-	-	42,054	41,999
Total		129,831	15,055	72,535	217,421	217,366
Company						
2013						
Other payables	-	7,853	-	-	7,853	7,853
2012						
Other payables	-	3,663	-	-	3,663	3,663

(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).

Financial instruments measured at fair value

	Group			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
2013				
Financial Assets				
Available-for-sale equity instruments	-	-	10,000	10,000
Embedded derivatives*	-	-	*	*
	-	-	10,000	10,000
2012				
Financial Assets				
Available-for-sale equity instruments	-	-	10,000	10,000
Embedded derivatives*	-	-	*	*
	-	-	10,000	10,000

* The fair value of embedded derivatives has been determined to be immaterial by management. Please see further disclosures in Note 10.

Significant assumptions in determining fair value of financial assets and liabilities

(i) Unquoted equity shares – available-for-sale

Fair value is estimated using the discounted cash flow model, which includes significant assumptions that are not supportable by observable market prices or rates. In determining fair value, earnings growth factor between 10% to 50% and a weighted average cost of capital of 19% is used. Changes in these assumptions are not expected to be significant to total assets of the Group.

(ii) Unquoted embedded derivatives

Fair value is estimated using the Black-Scholes Option Pricing Model, which includes significant assumptions which are not supportable by observable market prices or rates. In determining fair value, an estimated exercise prices, dividend yield and volatility of share prices are used. Changes in these assumptions are not expected to be significant to total assets of the Group.

There is no transfer between levels during the financial year.

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)

Other financial assets and financial liabilities

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values due to their relative short term maturity profile.

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	
	2013	2012
	RMB'000	RMB'000
With Suzhou Hengli Telecommunications Materials Co., Ltd		
Purchase of raw materials	5,597	3,581

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. The Executive Chairman of the Company is also a substantial shareholder 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	
	2013	2012
	RMB'000	RMB'000
Remuneration to executive directors:		
Short term benefits	1,972	1,937
Remuneration to key management personnel:		
Short term benefits	2,436	2,734
Retirement benefits scheme contributions	101	73
Total	2,537	2,807
Total remuneration	4,509	4,744

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

	Group	
	2013	2012
	RMB'000	RMB'000
Non-executive directors' fees	1,573	1,616
Executive directors' fees:		
Salaries, allowances and benefits in kind	1,630	1,638
Performance related bonuses	342	202
Total executive directors' fees	1,972	1,840
Total directors' remuneration	3,545	3,456

5 RELATED PARTY TRANSACTIONS (cont'd)

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

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

	2013 RMB'000	2012 RMB'000
Tay Ah Kong Bernard	565	581
Chee Teck Kwong Patrick	516	531
Tam Chee Kwan Michael	246	252
Total	1,327	1,364

(ii) Non-executive director

The fee paid to a non-executive director, Zhang Zhong, was RMB246,000 (2012 : RMB252,000).

(iii) Executive directors (equivalent to Chief Executives)

The benefits paid to executive directors were as follows:

	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Total RMB'000
2013			
Cui Genxiang	708	-	708
Xu Guoqiang	922	342	1,264
Total	1,630	342	1,972
2012			
Cui Genxiang	606	-	606
Xu Guoqiang	1,032	202	1,234
Total	1,638	202	1,840

There were no arrangements under which any directors waived or agreed to waive any remuneration for the financial year ended 31 December 2013 and 2012.

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 CASH EQUIVALENTS/PLEDGED BANK DEPOSITS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank	364,486	253,048	11,168	22,557
Fixed deposits	7,691	12,805	6,047	306
Cash and cash equivalents	372,177	265,853	17,215	22,863
Pledged bank deposits	1,960	20,170	-	-
Total	374,137	286,023	17,215	22,863
Bank deposits are pledged in relation to:				
Notes payables (Note 16)	-	4,697	-	-
Other banking facilities	1,960	15,473	-	-
Total pledged bank deposits	1,960	20,170	-	-

Certain of the pledged bank deposits bear interest at an average effective interest rates at 2.800% (2012 : 2.996%) per annum and for a tenure of approximately 3 months (2012 : 3 months).

The Group's and the Company's fixed deposit bear average effective interest rates ranging from 0.05% to 9.91% (2012 : 0.05% to 8.65%) per annum and for a tenure of not more than three months.

7 TRADE RECEIVABLES

	Group	
	2013	2012
	RMB'000	RMB'000
Outside parties	609,413	581,661
Less: Allowance for doubtful debts	(15,762)	(15,762)
Net	593,651	565,899
Notes receivables	63,144	52,453
Total	656,795	618,352
Movement in the above allowance:		
At beginning and end of year	15,762	15,762

The average credit period on sales of goods is 180 days (2012 : 180 days) after delivery. The Group has provided fully for certain receivables over 2 years because historical experience is such that receivables 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.

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 2013, approximately 77% (2012 : 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 96% (2012 : 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. The trade receivables that are neither past due nor impaired are receivables from customers with long standing relationship and are of sound credit quality. The amount is still recoverable.

7 TRADE RECEIVABLES (cont'd)

Included in the Group's trade receivable balance are debtors with a carrying amount of RMB138,707,000 (2012 : RMB183,114,000) 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 aging for trade receivables which are past due and not impaired are those shown in the table below for the receivables between 181 days to 2 years.

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

	Group	
	2013	2012
	RMB'000	RMB'000
Ageing of trade receivables which are not impaired:		
0 to 180 days	518,088	435,238
181 to 360 days	69,083	148,025
1 to 2 years	69,624	35,089
Total	656,795	618,352

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 allowance required in excess of the allowance for doubtful debts.

8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Advance payment to suppliers	10,000	14,076	-	-
Deposit paid for acquisition of land use rights	5,760	5,760	-	-
Refundable deposits	217	4,527	141	150
Tax recoverables	14,395	1,246	-	-
Advances to staff	3,225	3,733	-	-
Prepayments	361	473	31	4
Due from subsidiaries (Note 12)	-	-	95,914	5,342
Others	10,915	242	-	-
Total	44,873	30,057	96,086	5,496
Presentation in Statements of Financial Position:				
Current asset	39,113	24,297	96,086	5,496
Non-current asset	5,760	5,760	-	-
Total	44,873	30,057	96,086	5,496

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

9 INVENTORIES

	Group	
	2013	2012
	RMB'000	RMB'000
Raw materials	24,707	29,143
Work-in-progress	9,135	12,364
Finished goods	148,925	68,132
	182,767	109,639
Less: Allowance for inventory obsolescence	(218)	(1,398)
Net	182,549	108,241
Movement in the above allowance:		
At beginning of year	1,398	960
Charge	-	452
Reversed	(1,180)	(14)
At end of year	218	1,398

The cost of inventories recognised as an expense includes RMB Nil (2012 : RMB452,000) in respect of write-down of inventory to a net realisable value, and has been reduced by RMB1,180,000 (2012 : RMB14,000) in respect of the reversal of such write-downs. Previous write-downs were reversed as the inventories were sold above their carrying amounts.

10 AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Non-current asset		
Unquoted equity securities, at fair value	10,000	10,000

The unquoted securities relate to an equity investment in a private company ("investee") in the People's Republic of China. Included in the investment agreement are the following conditions:

(i) The investee company is to attain RMB 10.5 million net profit for the financial year ended 31 December 2012, with deviation allowed up to 30%. Net profit with deviation more than 30% will result in certain shareholders compensating the Group at 10% of the amount of profit not achieved based on its share of investment – in shares of the investee company or in cash; and

(ii) If the shares of the investee company is not publicly traded by 31 December 2015, the Group has the option to sell back the total equity investment of RMB10,000,000 to certain shareholders of the investee company with a 6% annual interest.

For condition (i), management has assessed and determined in 2012 that the investee company has met the conditions with no compensations due to the Group.

For condition (ii), it has been determined to be an embedded derivative which is required to be fair valued through profit or loss in accordance with FRS 39. Based on a third party independent valuation,

(i) the fair value of the equity investment is approximately RMB10,400,000 (2012 : RMB12,900,000); and

(ii) the value of the options have been determined to be an asset with value of approximately RMB3,000,000 (RMB2,900,000).

10 AVAILABLE-FOR-SALE INVESTMENTS (cont'd)

Management is of the opinion that the changes to the fair value of the equity investment of RMB400,000 and the fair value of the embedded derivatives of RMB3,000,000 are not material and therefore the unquoted equity securities are recorded at a fair value which approximates the cost of investment.

11 LEASEHOLD LAND

	Group	
	2013	2012
	RMB'000	RMB'000
Cost		
At beginning and at end of the year	24,376	24,376
Accumulated amortisation		
At beginning of the year	4,915	4,355
Amortisation	560	560
At end of the year	5,475	4,915
Carrying amount	18,901	19,461

	Group	
	2013	2012
	RMB'000	RMB'000
Presentation in Statements of Financial Position:		
Current asset	560	560
Non-current asset	18,341	18,901
Total	18,901	19,461

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	
	2013	2012
	RMB'000	RMB'000
Unquoted shares, at cost	392,544	367,385
Due from subsidiary	-	25,001
Total	392,544	392,386

12 SUBSIDIARIES (cont'd)

Name of subsidiary	Place of business and incorporation/ establishment	Principal activities	Effective equity interest and voting power 2013 %	2012 %
Jiangsu Hengxin Technology Co., Ltd [1]	People's Republic of China	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	Marketing and trading of the Group's products to the Indian telecommunication operators	100	100
Jiangsu Hengxin Wireless Technology Co., Ltd [2]	People's Republic of China	Research, design, development, manufacture, sale and technical services of antennas and related telecommunication products for mobile communication systems	100	100

1 Wholly owned foreign enterprise (WOFE) registered under PRC law

2 Wholly owned by Jiangsu Hengxin Technology Co., Ltd

The PRC subsidiaries are audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, 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.

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

13 PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction-in-progress RMB'000	Total RMB'000
Group						
Cost						
At 1 January 2012	70,456	144,052	11,654	5,061	6,757	237,980
Exchange realignment	-	(1)	(6)	-	-	(7)
Additions	-	11,423	679	-	529	12,631
Transfers	(2,459)	-	4,301	-	(1,842)	-
Disposals	-	-	(135)	-	-	(135)
At 31 December 2012	67,997	155,474	16,493	5,061	5,444	250,469
Exchange realignment	-	(3)	(18)	-	-	(21)
Additions	332	5,685	2,566	-	2,492	11,075
Transfers	4,917	-	41	860	(5,818)	-
Disposals	-	(2,713)	(373)	(161)	-	(3,247)
At 31 December 2013	73,246	158,443	18,709	5,760	2,118	258,276
Accumulated depreciation						
At 1 January 2012	9,797	62,034	4,815	3,445	-	80,091
Exchange realignment	-	(1)	(7)	-	-	(8)
Depreciation	2,711	13,437	1,936	466	-	18,550
Disposals	-	-	(121)	-	-	(121)
At 31 December 2012	12,508	75,470	6,623	3,911	-	98,512
Exchange realignment	-	(2)	(18)	-	-	(20)
Depreciation	3,240	13,177	2,264	352	-	19,033
Disposals	-	(2,391)	(329)	(144)	-	(2,864)
At 31 December 2013	15,748	86,254	8,540	4,119	-	114,661
Carrying amount						
At 31 December 2012	55,489	80,004	9,870	1,150	5,444	151,957
At 31 December 2013	57,498	72,189	10,169	1,641	2,118	143,615

13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Office equipment RMB'000
Company	
Cost	
At 1 January 2012, 31 December 2012 and 31 December 2013	29
Accumulated depreciation	
At 1 January 2012, 31 December 2012 and 31 December 2013	29
Carrying amount	
At 31 December 2012	-
At 31 December 2013	-

14 DEFERRED TAX ASSETS (LIABILITIES)

(a) Deferred tax asset

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

	Unrealised exchange loss RMB'000	Allowance for doubtful receivables RMB'000	Allowance for inventory obsolescence RMB'000	Total RMB'000
Group				
At 1 January 2012	-	2,364	159	2,523
Credit to profit or loss	1,045	-	50	1,095
At 31 December 2012	1,045	2,364	209	3,618
Charge to profit or loss	(705)	-	(176)	(881)
At 31 December 2013	340	2,364	33	2,737

(b) Deferred tax liabilities

	Group 2013 RMB'000	Group 2012 RMB'000
At beginning of year	2,979	2,596
Charge to profit or loss	488	383
At end of year	3,467	2,979

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

15 SHORT-TERM LOANS

	Group 2013 RMB'000	Group 2012 RMB'000
Bank loan – unsecured (Note a)	-	20,000
Bank loan – unsecured (Note b)	-	21,999
Bank loan – unsecured (Note c)	176,810	-
Total	176,810	41,999

Note:

(a) As at 31 December 2012, the unsecured bank loan of the Group amounting to RMB20,000,000 bore fixed interest at 5.60% per annum. The loan was repaid during the year.

(b) As at 31 December 2012, the unsecured bank loan of the Group amounting to RMB21,999,000 bore fixed interest at 2.74% per annum. The loan was repaid during the year.

(c) As at 31 December 2013, the unsecured bank loan of the Group amounting to RMB176,810,000 bears 1.3% per annum above LIBOR. The loan is denominated in United States Dollars.

At 31 December 2013, the Group had available RMB1,018,772,000 (2012 : RMB655,907,000) of unutilised committed borrowing facilities for which all conditions precedent had been met.

16 TRADE PAYABLES

	Group 2013 RMB'000	Group 2012 RMB'000
Outside parties	126,254	93,422
Notes payable	-	62,871
Total	126,254	156,293

In 2012, the notes payable to banks amounting to approximately RMB62,871,000 were secured on the Group's bank deposits amounting to RMB4,697,000.

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

	Group 2013 RMB'000	Group 2012 RMB'000
Ageing based on invoice date:		
0 to 90 days	120,242	84,370
91 to 180 days	3,500	67,931
181 to 360 days	1,074	2,621
Over 360 days	1,438	1,371
Total	126,254	156,293

17 OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Accrued operating expenses	7,966	4,084	7,309	3,594
Other payables	26,856	14,990	544	69
Total	34,822	19,074	7,853	3,663

18 DEFERRED INCOME

At 31 December 2013, the amount represents deferred revenue arising as a result of the special fund received from local government to support the Group's project of transformation of science and technology achievements in the People's Republic of China. The grants are related to assets and will be offset against relevant cost incurred in profit or loss within the next three years.

19 SHARE CAPITAL

	Group and Company			
	2013	2012	2013	2012
	Number of ordinary shares ('000)		S$'000	S$'000
Issued and paid-up:				
At beginning and end of year	388,000	388,000	58,342	58,342
Equivalent to approximately (RMB'000)	295,000	295,000	295,000	295,000

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

20 GENERAL RESERVES

	Group	
	2013	2012
	RMB'000	RMB'000
Statutory surplus reserve fund:		
At beginning of year	134,381	122,889
Transfer from accumulated profits	14,834	11,492
At end of year	149,215	134,381

21 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.

22 REVENUE

	Group	
	2013	2012
	RMB'000	RMB'000
Sales of goods:		
Radio frequency coaxial cables	932,998	875,414
Telecommunication equipment and accessories	270,370	252,675
Others	34,841	6,254
Total	1,238,209	1,134,343

Notes to Financial Statements (cont'd)

31 December 2013

23 OTHER OPERATING INCOME

	Group	
	2013	2012
	RMB'000	RMB'000
Interest income	2,815	4,640
Compensation claims received	376	565
Foreign exchange gains	-	2,292
Government grants	3,252	4,411
Gain on disposal of available-for-sale investments	-	178
Others	181	49
Total	6,624	12,135

24 OTHER OPERATING EXPENSES

	Group	
	2013	2012
	RMB'000	RMB'000
Research and development expenses	28,622	16,790
Foreign exchange loss	3,947	-
Donation	715	501
Loss on disposal of property, plant and equipment	339	13
Others	5	132
Total	33,628	17,436

25 FINANCE COSTS

	Group	
	2013	2012
	RMB'000	RMB'000
Interest expense on bank loans	4,241	20,507

26 PROFIT BEFORE INCOME TAX

This is determined after charging (crediting) the following:

	Group	
	2013	2012
	RMB'000	RMB'000
(Reversal) Allowance for inventory obsolescence	(1,180)	438
Amortisation of leasehold land	560	560
Audit and related services fees paid:		
- to the auditors of the Company	613	515
- to the other auditors	1,046	903
Non-audit fees paid:		
- to auditors of the Company	50	100
- to the other auditors	227	398
Cost of inventories recognised as an expense	997,222	925,514
Cost of defined contribution plans	3,177	3,069
Depreciation of property, plant and equipment	19,033	18,550
Executive directors' remuneration		
- directors of Company	1,972	1,840
- directors of the subsidiaries	38	381
Directors' fees - directors of the Company	1,573	1,616
Employee benefits expense	58,557	47,739
Net foreign exchange losses (gains)	3,947	(2,292)
Loss on disposal of property, plant and equipment	339	13
Gain on disposal of available-for-sale investment	-	(178)
Research and development expenses *	28,622	16,790

* 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 profit or loss as incurred.

As at 31 December 2013, the contributions due in respect of the year that had not been paid over to the schemes were approximately RMB440,000 (2012 : RMB363,000). The amounts were paid subsequent to the end of the reporting period.

26 PROFIT BEFORE INCOME TAX (cont'd)

Five employees who received the highest remuneration

Five employees who received the highest remuneration in the Group for the year included 1 director (2012 : 1 director). Details of the remuneration paid to the director are set out in Note 5 to the financial statements.

Details of the remuneration paid to the 4 non-director employees (2012 : 4) who received the highest remuneration in the Group for the year were as follows:

	2013 RMB'000	2012 RMB'000
Salaries, allowances and benefits in kind	1,633	1,751
Performance related bonuses	803	773
Pension scheme contributions	101	71
Total	2,537	2,595

No amount is paid to any of the five highest paid employees (including the 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	
	2013	2012
RMB1,000,001 to RMB1,500,000	1	1
RMB Nil to RMB1,000,000	3	3
Total	4	4

27 INCOME TAX

	Group	
	2013 RMB'000	2012 RMB'000
Current	22,425	14,256
Underprovision of current tax in prior years	512	323
Deferred tax expense (credit) (Note 14)	1,369	(712)
Net	24,306	13,867

27 INCOME TAX (cont'd)

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

	Group	
	2013	2012
	RMB'000	RMB'000
Profit before income tax	103,113	81,145
Tax at PRC statutory tax rate of 25%	25,778	20,286
Tax effect of expenses not deductible	9,869	4,739
Effect of PRC Enterprise Income Tax and concessions	(12,165)	(11,481)
Tax effect of tax losses not recognised	312	-
Underprovision of current tax in prior years	512	323
Effective tax expense	24,306	13,867

The Company

The Company has no taxable income during the financial year ended 31 December 2013 and 2012. The statutory income tax rate applicable to the Company is 17.0% (2012 : 17.0%).

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. In 2011, the subsidiary renewed the status to enjoy a further three financial years starting from 31 December 2011.

The effective tax rate for the subsidiary is 15.0% (2012 : 15.0%).

Jiangsu Hengxin Wireless Technology Co., Ltd

The applicable tax rate is 25%.

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.

28 EARNINGS PER SHARE

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

	Group	
	2013	2012
Profit attributable to shareholders of the Company (RMB'000)	78,807	67,278
Weighted average number of shares ('000)	388,000	388,000
Earnings per share (RMB cents) – Basic	20.3	17.3

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.

29 OPERATING LEASE ARRANGEMENTS

	Group	
	2013	2012
	RMB'000	RMB'000
Minimum lease payments under operating leases recognised as an expense in the year	1,039	975

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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	801	961	589	600
In the second to fifth years inclusive	302	1,177	196	835
Total	1,103	2,138	785	1,435

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 (2012 : 1 to 3 years).

30 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.

30 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					
2013					
Revenue	932,998	270,370	34,841	-	1,238,209
Segment results					
Segment profit	95,172	27,631	1,020	(18,087)	105,736
Interest income	2,165	629	-	21	2,815
Other income					3,809
Other expenses*					(5,006)
Finance costs	(3,287)	(954)	-	-	(4,241)
Profit before income tax					103,113
Income tax					(24,306)
Profit for the year					78,807

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
2012					
Revenue	875,414	252,675	6,254	-	1,134,343
Segment results					
Segment profit	76,217	22,001	1,375	(9,430)	90,163
Interest income	3,214	754	-	672	4,640
Other income					7,495
Other expenses*					(646)
Finance costs	(16,037)	(4,470)			(20,507)
Profit before income tax					81,145
Income tax					(13,867)
Profit for the year					67,278

* excluding research and development expenses

30 SEGMENT INFORMATION (cont'd)

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, deferred income and deferred tax liabilities, which are attributable to each operating segments.

	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					
2013					
Assets:					
Segment assets	1,057,875	330,048	28,297	-	1,416,220
Unallocated assets				17,387	17,387
Total assets					1,433,607
Liabilities:					
Segment liabilities	257,996	80,492	3,235	-	341,723
Unallocated liabilities				7,851	7,851
Total liabilities					349,574

	Radio frequency coaxial cables RMB'000	Telecommunication equipment and accessories RMB'000	Others RMB'000	Unallocated RMB'000	Total RMB'000
2012					
Assets:					
Segment assets	925,282	267,092	12,318	-	1,204,692
Unallocated assets				23,017	23,017
Total assets					1,227,709
Liabilities:					
Segment liabilities	167,294	48,291	3,013	-	218,598
Unallocated liabilities				3,663	3,663
Total liabilities					222,261

Unallocated corporate assets mainly represent cash and cash equivalents, other receivables and prepayments and property, plant and equipment at corporate level.

Unallocated corporate liabilities represent other payables at corporate level.

30 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
Other segment information					
2013					
Capital expenditure	5,222	1,516	4,337	-	11,075
Depreciation expense	13,336	3,872	1,820	5	19,033
Amortisation of leasehold land	434	126	-	-	560
Reversal of inventory obsolescence allowance	(839)	(243)	-	(98)	(1,180)
2012					
Capital expenditure	2,552	740	9,339	-	12,631
Depreciation expense	13,601	3,941	1,003	5	18,550
Amortisation of leasehold land	434	126	-	-	560
Inventory obsolescence allowance	340	98	-	-	438

Geographical segment

The geographical regions of the customers of the Group principally comprise the People's Republic of China, India 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*	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
People's Republic of China	1,113,436	1,050,741	167,375	176,612
India	47,431	57,482	341	6
Others	77,342	26,120	-	-
Total	1,238,209	1,134,343	167,716	176,618

* excluding available-for-sale investment and deferred tax assets

Information about major customers

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

	2013 RMB'000	2012 RMB'000
Customer A[1]	378,696	320,660
Customer B[1]	153,073	285,958
Customer C[1, 2]	-	180,936
Total	531,769	787,554

1 Revenue from radio frequency coaxial cables.
2 Revenue from Customer C is less than 10% of the Group's revenue in 2013.

31 COMMITMENTS

	Group		Company	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted but not provided for:				
Property, plant and equipment	73	1,120	-	-
Donation commitment	6,500	7,000	-	-
Total	6,573	8,120	-	-

Included in building in Note 13 to the financial statements was approximately RMB26,531,000 (2012 : RMB27,800,000) which represents constructions costs incurred on a building, built on a piece of land located in the PRC (the "No. 5 Land") which the Group has paid RMB5,760,000 classified as deposit for the acquisition of 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.

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

For the year ended 31 December 2013 and 2012, there were no material differences between the consolidated financial statements of the Group prepared under Singapore Financial Reporting Standards and International Financial Reporting Standards except for the effective dates for the following SFRSs:

- FRS 27 (Revised) Separate Financial Statements
- FRS 28 (Revised) Investments in Associates and Joint Ventures
- FRS 110 Consolidated Financial Statements
- FRS 111 Joint Arrangements
- FRS 112 Disclosure of Interests in Other Entities

The above SFRSs will only be effective on 1 January 2014 but the equivalent of these standards under IFRS is effective on 1 January 2013.

Management has assessed and determined that early adoption of the above FRSs will not have a material impact on the financial statements of the Group.

For the year ended 31 December 2012, there were no material differences between the consolidated financial statements of the Group prepared under SFRSs and IFRSs.

33 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, a first and final dividend of S$0.0042 per share (equivalent to approximately RMB2.03 cents) per share amounting to S$1,629,600 (equivalent to approximately RMB7,876,400) was proposed.

Statistics of Shareholdings

As at 4 March 2014

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

As at 4 March 2014, the Company did not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 999	4	0.33	433	0.00
1,000 – 10,000	510	42.15	3,480,000	0.90
10,001 – 1,000,000	688	56.86	44,651,380	11.51
1,000,001 and above	8	0.66	339,868,187	87.59
Total	1,210	100.00	388,000,000	100.00

TWENTY LARGEST SHAREHOLDERS

	Name	No. of Shares	%
1	HKSCC NOMINEES LIMITED	283,283,187	73.01
2	CITIBANK NOMINEES SINGAPORE PTE LTD	22,104,000	5.70
3	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	19,162,000	4.94
4	CHUA BENG CHENG	6,824,000	1.76
5	OCBC SECURITIES PRIVATE LIMITED	2,893,000	0.75
6	UOB KAY HIAN PRIVATE LIMITED	2,064,000	0.53
7	SOH BENG HUAT	1,828,000	0.47
8	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,710,000	0.44
9	LEE WOAN CHIOU	1,000,000	0.26
10	DBS NOMINEES (PRIVATE) LIMITED	990,000	0.26
11	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	981,000	0.25
12	HENG TOCK HIN	780,000	0.20
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	759,000	0.20
14	CHIANG LIEW CHIN	700,000	0.18
15	SOH ENG TAI	693,000	0.18
16	LIM CHER KHIANG	680,000	0.18
17	TAN SENG KEE	660,000	0.17
18	LIM & TAN SECURITIES PTE LTD	653,000	0.17
19	NG SOK MENG EVELYN	639,000	0.16
20	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	635,000	0.16
	TOTAL	349,038,187	89.97

Statistics of Shareholdings (cont'd)

As at 4 March 2014

SUBSTANTIAL SHAREHOLDERS AS AT 4 MARCH 2014

(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 4 March 2014, 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.

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