



**HENGXIN**  
恒 芯 中 國

**Heng Xin China Holdings Limited**  
**恒 芯 中 國 控 股 有 限 公 司 \***

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8046)

**INTERIM RESULTS ANNOUNCEMENT**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2013**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This announcement, for which the directors of Heng Xin China Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Heng Xin China Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

\* For identification purposes only

## RESULTS

The board of Directors (the “Board”) of Heng Xin China Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2013 together with the comparative unaudited figures for the corresponding periods in 2012.

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Three months ended 30 June		Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
<b>Revenue</b>	3	<b>67,657</b>	93,111	<b>196,811</b>	191,325
Cost of sales		<b>(44,380)</b>	(70,991)	<b>(120,788)</b>	(101,535)
Gross profit		<b>23,277</b>	22,120	<b>76,023</b>	89,790
Other income	3	<b>14</b>	14,497	<b>1,115</b>	29,237
Selling and marketing expenses		<b>(2,526)</b>	(2,553)	<b>(5,160)</b>	(4,103)
Other operating expenses		<b>(16,286)</b>	(68,886)	<b>(32,770)</b>	(88,627)
Finance costs	4	<b>(2,392)</b>	(3,350)	<b>(4,734)</b>	(6,894)
<b>Profit/(loss) before taxation</b>		<b>2,087</b>	(38,172)	<b>34,474</b>	19,403
Taxation	5	<b>(6,945)</b>	20,578	<b>(12,613)</b>	12,273
<b>(Loss)/profit for the period attributed to owners of the Company</b>	6	<b>(4,858)</b>	(17,594)	<b>21,861</b>	31,676
<b>Other comprehensive income:</b>					
Exchange differences on translating foreign operations		<b>19,148</b>	(8,875)	<b>29,319</b>	(1,747)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTED TO OWNERS OF THE COMPANY</b>		<b>14,290</b>	(26,469)	<b>51,180</b>	29,929
(Loss)/earnings per share (expressed in HK cent)	7				
— basic		<b>(0.15)</b>	(0.70)	<b>0.69</b>	1.26
— diluted		<b>—</b>	(0.70)	<b>—</b>	1.26
Dividends	8	<b>—</b>	—	<b>—</b>	—

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at <b>30 June 2013</b> (Unaudited) <i>HK\$'000</i>	As at 31 December 2012 (Audited) <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		270,770	265,560
Goodwill		753,146	753,146
Intangible assets		134,436	127,732
Deposits for acquisition of non-current assets		122,290	127,291
		<b>1,280,642</b>	1,273,729
<b>Current assets</b>			
Inventories		76,832	29,211
Trade receivables	9	512,521	399,160
Prepayments and deposits		476,863	146,302
Other receivables		109,343	42,582
Restricted bank deposits		10,000	8,786
Cash and cash equivalents		45,597	13,067
		<b>1,231,156</b>	639,108
Assets classified as held for sale		—	581,152
		<b>1,231,156</b>	1,220,260
<b>Current liabilities</b>			
Trade payables	10	63,311	48,579
Other payables and accruals		35,521	36,673
Receipts in advance		41,490	37,247
Obligations under finance leases		104	286
Short term loans		9,991	7,596
Tax payable		61,407	49,977
		<b>211,824</b>	180,358
Liabilities directly associated with assets classified as held for sale		—	48,048
		<b>211,824</b>	228,406
<b>Net current assets</b>		<b>1,019,332</b>	991,854
<b>Total assets less current liabilities</b>		<b>2,299,974</b>	2,265,583

	<i>Note</i>	<b>As at 30 June 2013 (Unaudited) HK\$'000</b>	<b>As at 31 December 2012 (Audited) HK\$'000</b>
<b>Non-current liabilities</b>			
Receipts in advance		59,532	73,632
Obligations under finance leases		—	26
Deferred tax liabilities		2,021	2,021
Notes payable		<u>150,000</u>	<u>150,000</u>
		<u>211,553</u>	<u>225,679</u>
<b>Net assets</b>		<u><u>2,088,421</u></u>	<u><u>2,039,904</u></u>
<b>Capital and reserves</b>			
Share capital		32,086	31,086
Reserves		<u>2,056,335</u>	<u>2,008,818</u>
<b>Total equity</b>		<u><u>2,088,421</u></u>	<u><u>2,039,904</u></u>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

	Attributable to the owners of the Company								Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Other reserve HK\$'000	Share option reserve HK\$'000	Convertible notes reserve HK\$'000	Retained profits HK\$'000	
Balance at 1 January 2012	24,871	1,107,946	2,325	64,239	(79,992)	11,215	134,254	565,476	1,830,334
Conversion of convertible notes	3,192	198,811	—	—	—	—	(119,337)	—	82,666
Recognition of share-based payments	—	—	—	—	—	322	—	—	322
Share issue expenses	—	(3)	—	—	—	—	—	—	(3)
Share options exercised	23	1,006	—	—	—	(215)	—	—	814
Transfer to retained profits upon expiry of share options	—	—	—	—	—	(670)	—	670	—
Total comprehensive income for the six months ended 30 June 2012	—	—	—	(1,747)	—	—	—	31,676	29,929
<b>Balance at 30 June 2012</b>	<b>28,086</b>	<b>1,307,760</b>	<b>2,325</b>	<b>62,492</b>	<b>(79,992)</b>	<b>10,652</b>	<b>14,917</b>	<b>597,822</b>	<b>1,944,062</b>
Balance at 1 January 2013	31,086	1,394,441	2,325	66,821	(79,992)	11,322	—	613,901	2,039,904
Issue of new shares	1,000	24,000	—	—	—	—	—	—	25,000
Share issue expenses	—	(28)	—	—	—	—	—	—	(28)
Recognition of share-based payments	—	—	—	—	—	1,399	—	—	1,399
Transfer to retained profits upon expiry of share options	—	—	—	—	—	(10,330)	—	10,330	—
Disposal of subsidiaries	—	—	—	(29,034)	—	—	—	—	(29,034)
Total comprehensive income for the six months ended 30 June 2013	—	—	—	29,319	—	—	—	21,861	51,180
<b>Balance at 30 June 2013</b>	<b>32,086</b>	<b>1,418,413</b>	<b>2,325</b>	<b>67,106</b>	<b>(79,992)</b>	<b>2,391</b>	<b>—</b>	<b>646,092</b>	<b>2,088,421</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2013 Unaudited HK\$'000	2012 Unaudited HK\$'000
Net cash (used in)/from operating activities	(445,961)	19,216
Net cash from/(used in) investing activities	412,012	(10,323)
Net cash from/(used in) financing activities	<u>27,367</u>	<u>(5,432)</u>
Net (decrease)/increase in cash and cash equivalents	(6,582)	3,461
Cash and cash equivalents at beginning of the period	60,947	152,615
Effect of foreign exchange rate changes	<u>(8,768)</u>	<u>(7,032)</u>
Cash and cash equivalents at end of the period	<u><u>45,597</u></u>	<u><u>149,044</u></u>
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	<u><u>45,597</u></u>	<u><u>149,044</u></u>

*Notes:*

## **1. GENERAL INFORMATION**

The Company was incorporated as an exempted company with limited liability in Bermuda on 9 September 2002 under the Companies Act 1981 of Bermuda (as amended). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is an investment holding company. The shares of the Company have been listed on the GEM of the Stock Exchange since 16 April 2003.

The principal activities of the Group are engaged in digital cable television business, wireless digital television value-added services, wireless digital terrestrial television network equipment integrated business, research, design, development on and manufacturing of electronic message security products, integrated circuits, and the integrated circuit solutions and the related services.

## **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The unaudited consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with the applicable disclosure requirement of Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited consolidated financial statements have been prepared on the historical cost basis except for the financial instruments, which are measured at fair value. The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial statements are consistent with those adopted in the audited financial statements for the six months ended 31 December 2012. These unaudited consolidated financial statements should be read in conjunction with the Company's annual report for the six months ended 31 December 2012. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 31 December 2013 have no material impact on the Group.

The unaudited consolidated financial statements have not been audited by the auditors of the Company, but have been reviewed by the Company's audit committee.

### 3. REVENUE AND SEGMENT INFORMATION

Revenue recognised by category during the three and six months ended 30 June 2013 are as follows:

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
<b>Revenue</b>				
Digital cable television business	<b>32,921</b>	41,470	<b>90,032</b>	79,910
Wireless digital television value-added services	<b>22,175</b>	—	<b>33,134</b>	—
Encrypted integrated circuits and the derived integrated business	<b>4,199</b>	42,992	<b>11,897</b>	53,769
Wireless digital audio products business	<b>8,061</b>	8,649	<b>15,189</b>	57,361
Wireless digital terrestrial television network equipment integration business	<b>301</b>	—	<b>46,559</b>	285
	<b>67,657</b>	93,111	<b>196,811</b>	191,325
<b>Other income</b>				
Bank interest income	<b>14</b>	29	<b>87</b>	158
Gain on disposal of intangible assets	—	11,200	—	24,822
Other interest income	—	2,986	—	3,754
Sundry income	—	282	<b>1,028</b>	503
	<b>14</b>	14,497	<b>1,115</b>	29,237



The segment results for the six months ended 30 June 2013 are as follows:

	Digital cable television business HK\$'000 (Unaudited)	Wireless digital television value-added services HK\$'000 (Unaudited)	Encrypted integrated circuits HK\$'000 (Unaudited)	Wireless digital audio integrated circuits HK\$'000 (Unaudited)	Wireless terrestrial television network equipment integration HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Revenue</b>						
Segment revenue from external customers	90,032	33,134	11,897	15,189	46,559	196,811
Segment results	70,902	(16,785)	(1,675)	1,133	957	54,532
Unallocated income						1
Unallocated expenses						(15,325)
Finance costs						(4,734)
<b>Profit before taxation</b>						34,474
Taxation						(12,613)
<b>Profit for the six months ended 30 June 2013</b>						<b>21,861</b>

The segment results for the six months ended 30 June 2012 are as follows:

	Digital cable television business HK\$'000 (Unaudited)	Wireless digital television value-added services HK\$'000 (Unaudited)	Encrypted integrated circuits HK\$'000 (Unaudited)	Wireless digital audio integrated circuits HK\$'000 (Unaudited)	Wireless terrestrial television network equipment integration HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Revenue</b>						
Segment revenue from external customers	79,910	—	53,769	57,361	285	191,325
Segment results	55,044	(4,044)	(15,074)	(1,654)	4,372	38,644
Unallocated income						8,116
Unallocated expenses						(20,463)
Finance costs						(6,894)
<b>Profit before taxation</b>						19,403
Taxation						12,273
<b>Profit for the six months ended 30 June 2012</b>						<b>31,676</b>

#### 4. FINANCE COSTS

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Effective interest expenses on straight bonds	2,244	—	4,463	—
Effective interest expenses on convertible notes	—	3,339	—	6,871
Interest element of finance leases	3	11	8	23
Interest on bank loans	145	—	263	—
	<u>2,392</u>	<u>3,350</u>	<u>4,734</u>	<u>6,894</u>

#### 5. TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2013	2012	2013	2012
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:				
— Hong Kong	—	316	—	316
— PRC Enterprise Income Tax	6,805	(14,908)	12,473	(6,591)
Over provision in prior year:				
— PRC Enterprise Income Tax	140	(5,986)	140	(5,998)
	<u>6,945</u>	<u>(20,578)</u>	<u>12,613</u>	<u>(12,273)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for both periods. Pursuant to the relevant laws and regulations in the PRC, some of the Company's PRC subsidiaries are entitled to exemption from PRC income tax for the two years commencing from the first profit-making year of operation and thereafter, those subsidiaries will be entitled to a 50% relief from PRC income tax for the following three years.

## 6. PROFIT/(LOSS) FOR THE PERIOD

Profit/(loss) for the period has been arrived at after charging/(crediting):

	Three months ended 30 June		Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Allowance for doubtful debt on trade receivables, net	—	35,663	—	35,663
Allowance for inventories	—	1,658	—	1,658
Cost of inventories recognised as expense	44,002	29,613	120,410	95,421
Depreciation	1,164	10,593	2,210	9,154
Exchange loss/(gains)	8	(211)	8	1,170
Impairment loss on intangible assets	—	5,070	—	5,070
Impairment loss on prepayments, deposits and other receivables	—	7,941	—	7,941
Loss on fair value changes of financial assets at fair value through profit or loss	—	1,290	—	1,770
Net gain on disposal of a subsidiary	6	—	(897)	—
Research and development costs	260	—	519	799
Staff costs (including Directors' emoluments)				
— salaries and allowances	5,345	7,607	11,059	13,287
— pension scheme contributions	263	1,466	937	1,976
— Share based payment expenses	—	242	241	322
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 7. EARNINGS/(LOSS) PER SHARE

### (a) Basic

Basic loss per share for the three months ended 30 June 2013 is calculated by dividing the consolidated loss attributable to the owners of the Company for the three months ended 30 June 2013 of HK\$4,858,000 (2012: HK\$17,594,000) by the weighted average number of 3,185,257,000 (2012: 2,527,953,000) ordinary shares in issue during the period.

Basic earnings per share for the six months ended 30 June 2013 is calculated by dividing the consolidated profit attributable to the owners of the Company for the six months ended 30 June 2013 of HK\$21,861,000 (2012: HK\$31,676,000) by the weighted average number of 3,154,988,000 (2012: 2,507,772,000) ordinary shares in issue during the period.

### (b) Diluted earnings/(loss) per share

No diluted earnings/(loss) per share has been presented for the three months and six months ended 30 June 2013 as the exercise prices of the Company's outstanding share options and warrants were higher than the average market price of the Company's shares for the periods.

Diluted loss per share for the three months ended 30 June 2012 is calculated by dividing the loss attributable to the owners of the Company for the three months ended 30 June 2012 by the total of the weighted average number of ordinary shares of 2,507,772,000 outstanding during the period, after adjusting for the effects of all dilutive potential ordinary shares.

Diluted earnings per share for the six months ended 30 June 2012 is calculated by dividing the profit attributable to the owners of the Company for the six months ended 30 June 2012 by the total of the weighted average number of ordinary shares of 2,508,192,000 outstanding during the period, after adjusting for the effects of all dilutive potential ordinary shares.

## 8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).

## 9. TRADE RECEIVABLES

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Trade receivables	512,521	399,160
Less: allowance for doubtful debts	—	—
	<u>512,521</u>	<u>399,160</u>

The ageing analysis of trade receivables that were past due but not impaired is as follows:

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Within 30 days	2,335	91,467
31 — 90 days	72,513	23,386
91 — 180 days	70,639	53,076
Over 180 days	311,783	162,059
	<u>457,270</u>	<u>329,988</u>

The Group generally allows credit periods ranging from 30 days to 180 days to its trade customers.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record maintained with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

## 10. TRADE PAYABLES

The ageing analysis of the trade payables is as follow:

	<b>30 June 2013 HK\$'000 (Unaudited)</b>	31 December 2012 HK\$'000 (Audited)
Within 30 days	17,603	5,043
31 — 60 days	400	5,752
61 — 90 days	911	18,646
Over 90 days	44,397	19,138
	<u>63,311</u>	<u>48,579</u>

## MANAGEMENT DISCUSSIONS AND ANALYSIS

### Financial review

For the six months ended 30 June 2013, the Group recorded a consolidated revenue of approximately HK\$196.8 million, representing an increase of approximately 2.9% when compared to approximately HK\$191.3 million for the corresponding period in the last year. Revenue for the three months ended 30 June 2013 amounted to approximately HK\$67.7 million, representing a decrease of approximately 47.6% when compared to HK\$129.2 million of the preceding quarter.

Gross profit margin of the Group for the period was approximately 38.6%, representing a decrease of around 8.3% from about 46.9% of the corresponding period of last year.

Other income amounted to approximately HK\$1.1 million, compared to approximately HK\$29.2 million for the corresponding period in the last year. The decrease was mainly due to the absence of any gain on disposal of intellectual properties of the Group during the six months ended 30 June 2013.

Other operating expenses amounted to approximately HK\$32.8 million for the six months ended 30 June 2013, representing a decrease of 63.0% when compared to HK\$88.6 million for the six months ended 30 June 2012. The operating expenses for the six months ended 30 June 2012 included allowance for doubtful debt on trade receivables of around HK\$35.7 million.

Finance costs amounted to approximately HK\$4.7 million, of which approximately HK\$4.5 million represents effective interest expenses on straight bonds.

The profit attributable to the owners of the Company amounted to approximately HK\$21.9 million for the six months ended 30 June 2013, representing a decrease of approximately 31.0% compared to approximately HK\$31.7 million in the corresponding period in the previous financial year.

Basic earnings per share for the six months ended 30 June 2013 was approximately HK0.69 cent, representing a decrease of approximately 45.2% compared to HK1.26 cents for the corresponding period of the last year.

### Subscription of new shares

On 26 March 2013, the Company entered into a conditional subscription agreement with each of the two independent investors respectively. Pursuant to the subscription agreements, the subscribers have conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue a total of 100,000,000 subscription shares at a price of HK\$0.25 per subscription share. The subscription was completed on 8 April 2013 and net proceeds amounted to approximately HK\$24.9 million, thereby providing the Group with additional cash resources for its operations.

## **Disposal of subsidiaries**

On 20 November 2012, America Assets Holding Group Limited (“America Assets”) and Star Hub Investments Limited (“Star Hub”), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement, pursuant to which Star Hub conditionally agreed to sell to America Assets, and America Assets conditionally agreed to purchase from Star Hub, the entire issued share capital of Magic Golden Limited, at a cash consideration of RMB328 million (equivalent to approximately HK\$413.3 million). The disposed group includes 北京中廣視通科技有限公司 (Beijing Zhongguang Shitong Technology Co., Ltd (“Beijing Zhongguang”)) which engages principally in the wireless digital terrestrial television network equipment integrated business, and research, design, manufacturing and trading of information safety products. Details of the disposal are set out in the Company’s circular dated 17 December 2012. The disposal was completed on 24 January 2013. The net loss on disposal was approximately HK\$27 million, of which loss of around HK\$28 million has been recognised in the financial statement for the six months ended 31 December 2012 and the balance was recognised in the financial statement for the six months ended 30 June 2013.

## **Acquisition of Zhong Kuang**

On 22 July 2013, 北京金橋恒泰科技有限公司 (Beijing Jinqiao Hengtai Technology Co., Ltd (“Beijing Jinqiao”)), an indirect wholly-owned subsidiary of the Company and Mr. Wang Long and Ms. Zhou Mei (the “Vendors”) entered into a sale and purchase agreement, pursuant to which the Vendors agreed to sell to Beijing Jinqiao, and Beijing Jinqiao agreed to purchase from the Vendors in aggregate 51% of the equity interests in the 中礦京資投資有限公司 (Zhong Kuang Jing Zi Investment Co., Ltd) (“Zhong Kuang”) at a total cash consideration of RMB25.5 million (equivalent to approximately HK\$32.1 million). Zhong Kuang is principally engaged in (i) project investment; (ii) investment management; (iii) investment consulting; and (iv) the sale and trading of metal materials and mineral products. Upon completion of the acquisition, Zhong Kuang will become an indirect non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group’s financial results. Further details of the acquisition are set out in the Company’s announcement dated 22 July 2013. The acquisition is yet to be completed.

## **Termination of the acquisition of Yantai Xinchao**

On 7 December 2012, Beijing Jinqiao and 煙台新潮實業股份有限公司 (Yantai Xinchao Industry Co., Ltd (“Xinchao”)) entered into a sale and purchase agreement, pursuant to which Xinchao agreed to sell to Beijing Jinqiao, and Beijing Jinqiao agreed to purchase from Xinchao, 25% equity interests in 煙台新牟電纜有限公司 (Yantai Xinmu Cable Co., Ltd (“Xinmu”)) at a cash consideration of RMB139 million (equivalent to approximately HK\$175.1 million). As an investor did not acquire the equity interests in Xinmu as anticipated by Xinchao and Beijing Jinqiao, Xinchao and Beijing Jinqiao considered that it is no longer in the parties’ interest to carry on with the acquisition and reached an agreement on 31 July 2013 to terminate the relevant sale and purchase agreement. Details of the transactions are set out in the Company’s announcements dated 17 December 2012 and 31 July 2013 respectively.

## **Business review**

Affected by the overall weak domestic economy, the results of the business of the Group in the second quarter dropped.

**(i) Digital cable television service business**

During the period under review, the Group continued to progress with the business development and implementation in the digital cable TV operational and value added business. Revenue for the six months ended 30 June 2013 amounted to approximately HK\$90.0 million or 46% of the total revenue.

**(ii) Wireless digital television value-added services**

Revenue for the six months ended 30 June 2013 amounted to approximately HK\$33.1 million or 17% of the total revenue.

The segment recorded loss of approximately HK\$16.8 million for the six months ended 30 June 2013 was partly due to the profit guarantee paid to the contracted party.

**(iii) Information safety products business**

The revenue for the six months ended 30 June 2013 generated from the information safety products business and the related technical services amounted to approximately HK\$11.9 million representing approximately 6% of the total revenue.

The Group continued to work on the telecommunication and system integration projects of a domestic airline and large-scale telecommunication operators for which it won the bid for centralized procurements.

**(iv) Wireless digital audio products business**

The revenue for the six months ended 30 June 2013 generated from the wireless digital audio product business and the related technical services amounted to approximately HK\$15.2 million or approximately 8% of the total revenue.

In the first half of the year, revenues mainly come from domestic customers. The demand from overseas markets was mediocre. The Group's market share has been growing with more projects cooperating with the domestic and overseas customers over the past few years, which has secured the Group's revenue and would be a profit driver in the future.

**(v) Wireless digital terrestrial TV network equipment integration business**

Approximately HK\$46.5 million or around 23% of the total revenue of the Group in the six months ended 30 June 2013 was derived from the trading of the wireless digital terrestrial television related products.

**Prospects**

In 2013, the Group will consolidate and better serve its contracted broadcasting television subscribers, build a foundation for achieving the overall objectives of development of the Group. The Group will also continue to expand the market share of existing products to optimize the profit and explore new businesses to establish new profit drivers and enhance the shareholders' value of the Company.

## **Liquidity and Financial Resources**

As at 30 June 2013, the cash and bank balances of the Group amounted to approximately HK\$45.6 million (31 December 2012: HK\$13.1 million). The Renminbi denominated balances of approximately HK\$43.8 million were placed with licensed banks in the PRC and the conversion of these balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC government.

During the six months ended 30 June 2013, the Group has net cash outflow from its operating activities of approximately HK\$445.9 million, and cash inflow from its investing activities and financing activities of approximately HK\$412.0 million and HK\$27.4 million respectively.

As at 30 June 2013, the gearing ratio of the Group, calculated as total borrowings over shareholders' funds, was approximately 0.06 (31 December 2012: 0.08).

## **Exposure to Fluctuations in Exchange Rates and Related Hedges**

The Company's revenues and expenses are primarily transacted in Hong Kong dollar and Renminbi. As at 30 June 2013, the Group has no outstanding foreign currency hedge contract.

## **Charge on Group Assets**

As at 30 June 2013, the Group did not have any charge on its assets.

## **Contingent Liabilities**

As at 30 June 2013, the Group had no significant contingent liabilities (30 June 2012: Nil).

## **Capital Structure**

During the six months ended 30 June 2013, an aggregate of 100,000,000 new shares were issued by the Company.

## **Acquisition/Disposal and Significant Investments**

Save as disclosed in "Disposal of Subsidiaries", the Group had no material acquisition or disposal of subsidiaries during the six months ended 30 June 2013.

## **Employee Information**

As at 30 June 2013, the Group employed a total of 160 (31 December 2012: 166) full-time employees. The Group's remuneration policy remained the same as detailed in the Annual Report for the six months ended 31 December 2012.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2013, the interests and short positions of the Directors, the chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Name	Capacity	Number of shares	Approximate percentage of interests in the issued share capital
Mr. Xiao Yan	Beneficial owner	2,273,334	0.07%
Mr. Qiu Bin	Beneficial owner	2,408,000	0.08%

Save as disclosed above, at no time during the six months ended 30 June 2013 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 June 2013, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

### Interests in the shares of the Company

Name of shareholder	Number or attributable number of shares or underlying shares held	Type of interests	Approximate percentage of interests
Choi Chung Lam ( <i>Note</i> )	623,542,451 (L)	Interest in controlled corporation	19.43%
Team Effort Investments Limited ( <i>Note</i> )	623,542,451 (L)	Interest in controlled corporation	19.43%

*L: Long Position*

*Note:*

Mr. Choi Chung Lam is the legal and beneficial owner of the entire issued share capital of Team Effort Investments Limited. Hence, Mr. Choi Chung Lam is deemed to be interested in the shares held by Team Effort Investments Limited.

Save as disclosed above, as at 30 June 2013, the Directors or chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company under Section 336 of the SFO.

## EMPLOYEE SHARE OPTION SCHEMES

Details of the employee share option schemes (“Share Option Schemes”) of the Company were disclosed in the annual report of the Company for the six months ended 31 December 2012. The following shows the outstanding positions of the eligible persons as at 31 March 2012 with respect to their share options granted under the Share Option Schemes:

Participants	Number of Shares (Note)					As of 30 June 2013	Date of grant	Exercise period	Exercise price per share HK\$
	As of 1 January 2013	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period				
<b>Directors</b>									
Mr. Xiao Yan	1,500,000	–	–	–	(1,500,000)	–	13/04/2011	14/05/2011- 12/03/2013	1.54
Mr. Li Tao	1,500,000	–	–	–	(1,500,000)	–	13/04/2011	14/05/2011- 12/03/2013	1.54
Mr. Xu Lei	800,000	–	–	–	(800,000)	–	13/04/2011	14/05/2011- 12/03/2013	1.54
Mr. Leung Wo Ping	800,000	–	–	–	(800,000)	–	13/04/2011	14/05/2011- 12/03/2013	1.54
Mr. Dong Shi	800,000	–	–	–	(800,000)	–	13/04/2011	14/05/2011- 12/03/2013	1.54
Mr. Hu Dingdong	800,000	–	–	–	(800,000)	–	13/04/2011	14/05/2011- 12/03/2013	1.54
Subtotal	6,200,000	–	–	–	(6,200,000)	–			
<b>Other participants</b>	23,800,000	–	–	–	(23,800,000)	–	13/04/2011	14/05/2011- 12/03/2013	1.54
	3,000,000	–	–	–	–	3,000,000	29/02/2012	01/03/2013- 29/02/2016	0.84
<b>Total</b>	<b>33,000,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(30,000,000)</b>	<b>3,000,000</b>			

*Note:*

Number of shares in the Company over which options granted under the Share Option Schemes is exercisable.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) have any interest in a business, which competes or may compete with the business of the Group or had any other conflict of interests with the Group.

## AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As at the date of this announcement, the audit committee comprises three independent non-executive Directors, namely, Mr. Leung Wo Ping JP (Chairman), Mr. Dong Shi and Mr. Hu Dingdong.

The duties of the audit committee include reviewing the Group's annual reports and accounts, half-year reports and quarterly reports and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Company, and to review the appointment of external auditors on an annual basis as well as to ensure independence of the continuing auditor.

## **CORPORATE GOVERNANCE REPORT**

Throughout the six months ended 30 June 2013, the Group has applied the principles set out in the Code on Corporate Governance Practices ("HKSE Code") contained in Appendix 15 of the GEM Listing Rules except the code provision A.2.1 stipulated in the following paragraph.

### **Distinctive Roles of Chairman and Chief Executive Officer**

The code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

Mr. Xiao Yan as the Chief Executive Officer of the Company, supported by the senior management of the Company, is responsible for managing the Group's businesses and responsibilities, coordinating the daily operations of the Group and the execution of the Board decisions. Up to the date of this announcement, the Board has not appointed individual to the post of Chairman. In view of the current operations of the Group, the management considered that there is no imminent need to change the arrangement.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its Code of Conduct for Securities Transactions by Directors throughout the six months ended 30 June 2013. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by Directors during the six months ended 30 June 2013.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

By Order of the Board  
**HENG XIN CHINA HOLDINGS LIMITED**  
**Xiao Yan**  
*Chief Executive Officer*

Hong Kong, 14 August 2013

*As at the date of this announcement, the Board comprises Mr. Xiao Yan (CEO), Mr. Li Tao and Mr. Qiu Bin as executive Directors; Mr. Xu Lei as non-executive Director; Mr. Leung Wo Ping JP, Mr. Dong Shi and Mr. Hu Dingdong as independent non-executive Directors.*