



**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)

## **THIRD QUARTERLY RESULTS ANNOUNCEMENT** **For the nine months ended 30 September 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*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 the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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 nine months ended 30 September 2013 together with the comparative unaudited figures for the corresponding periods in 2012.

		Three months ended 30 September		Nine months ended 30 September	
		2013	2012	2013	2012
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	48,714	262,850	245,525	454,176
Cost of sales		(29,594)	(201,345)	(150,382)	(302,881)
<b>Gross profit</b>		<b>19,120</b>	61,505	<b>95,143</b>	151,295
Other income	3	2,317	10,781	3,432	40,018
Selling and marketing expenses		(1,821)	(1,863)	(6,981)	(5,966)
Other operating expenses		(16,649)	(21,352)	(49,418)	(109,979)
Finance costs	4	(2,783)	(1,990)	(7,517)	(8,884)
<b>Profit before taxation</b>		<b>184</b>	47,081	<b>34,659</b>	66,484
Taxation	5	(5,734)	(4,501)	(18,347)	7,772
<b>(Loss)/profit for the period</b>	6	<b>(5,550)</b>	42,580	<b>16,312</b>	74,256
<b>Other comprehensive income</b>					
Exchange differences on translating foreign operations		7,582	(4,236)	36,900	(5,983)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>2,032</b>	38,344	<b>53,212</b>	68,273
(Loss)/profit attributable to:					
Owners of the Company		(5,436)	42,580	16,426	74,256
Non-controlling interests		(114)	—	(114)	—
		<b>(5,550)</b>	42,580	<b>16,312</b>	74,256
Total Comprehensive income/(loss) attributable to:					
Owners of the Company		2,195	38,344	53,375	68,273
Non-controlling interests		(163)	—	(163)	—
		<b>2,032</b>	38,344	<b>53,212</b>	68,273
(Loss)/earnings per share	7				
— basic		<b>(0.16) cent</b>	1.52 cents	<b>0.52 cent</b>	2.85 cents
— diluted		<b>(0.16) cent</b>	1.52 cents	<b>0.52 cent</b>	2.85 cents
Dividends	8	—	—	—	—

*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 terrestrial television network equipment integrated business, wireless digital television value-added services, 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 nine months ended 30 September 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

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 used in the 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 and were approved for issue by the Board.

### 3. REVENUE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Digital cable television business	35,692	79,982	125,724	159,893
Wireless digital television value-added services	6,889	—	40,023	—
Encrypted integrated circuits and the derived integrated business	695	104,183	12,592	157,952
Wireless digital audio products business	5,243	31,820	20,432	89,181
Wireless digital terrestrial television network equipment integration business	195	46,865	46,754	47,150
	<u>48,714</u>	<u>262,850</u>	<u>245,525</u>	<u>454,176</u>
Other income				
Bank interest income	9	45	96	203
Gain on disposal of intangible assets	—	—	—	24,822
Other interest income	—	—	—	3,754
Sundry income	2,308	10,736	3,336	11,239
	<u>2,317</u>	<u>10,781</u>	<u>3,432</u>	<u>40,018</u>

### 4. FINANCE COSTS

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Effective interest expenses on straight bonds	2,268	—	6,732	—
Effective interest expenses on convertible notes	—	1,965	—	8,836
Interest element of finance leases	1	25	9	23
Interest on bank loans	514	—	776	25
	<u>2,783</u>	<u>1,990</u>	<u>7,517</u>	<u>8,884</u>

## 5. TAXATION

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
— Hong Kong	—	—	—	316
— PRC Enterprise Income Tax	5,733	4,501	18,206	(2,090)
Under/(over) provision in prior year:				
— PRC Enterprise Income Tax	1	—	141	(5,998)
	<u>5,734</u>	<u>4,501</u>	<u>18,347</u>	<u>(7,772)</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 BEFORE TAXATION

The Group's profit before taxation is arrived at after (crediting)/charging:

	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	24,673	178,712	145,083	274,133
Depreciation	1,042	1,106	3,252	10,260
Exchange loss	85	23	93	1,193
(Gain)/loss on fair value changes of financial assets at fair value through profit or loss	—	(660)	—	1,110
Research and development costs	106	2,945	625	3,744
Staff costs (including Directors' emoluments)				
— salaries and allowances	4,902	5,945	15,961	19,232
— pension scheme contributions	628	955	1,565	2,931
— share based payment expenses	—	241	241	563
	<u>4,902</u>	<u>5,945</u>	<u>15,961</u>	<u>19,232</u>

## 7. EARNINGS/(LOSS) PER SHARE

### (a) *Basic*

Basic loss per share for the three months ended 30 September 2013 is calculated by dividing the consolidated loss attributable to the owners of the Company for the three months ended 30 September 2013 of HK\$5,436,000 (2012: profit of HK\$42,580,000) by the weighted average number of 3,301,924,000 (2012: 2,808,590,000) ordinary shares in issue during the period.

Basic earnings per share for the nine months ended 30 September 2013 is calculated by dividing the consolidated profit attributable to the owners of the Company for the nine months ended 30 September 2013 of HK\$16,426,000 (2012: HK\$74,256,000) by the weighted average number of 3,183,315,000 (2012: 2,608,777,000) ordinary shares in issue during the period.

### (b) *Diluted*

No diluted earnings/(loss) per share has been presented for the three months and nine months ended 30 September 2013 and three months ended 30 September 2012 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 earnings per share for the nine months ended 30 September 2012 is calculated by dividing the profit attributable to the owners of the Company for the nine months ended 30 September 2012 by the total of the weighted average number of ordinary shares of 2,608,953,000 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 nine months ended 30 September 2013 (2012: Nil).

## 9. RESERVES

	Unaudited										
	Attributable to the owners of the Company										
	Share premium	Capital reserve	Exchange fluctuation reserve		Other reserve	Share Convertible option reserve		Retained profits	Total	Non- controlling interests	Total reserve
			HK\$'000	HK\$'000		HK\$'000	HK\$'000				
Balance at 1 January 2012	1,107,946	2,325	64,239	(79,992)	11,215	134,254	565,476	1,805,463	—	1,805,463	
Conversion of convertible notes	198,811	—	—	—	—	(119,337)	—	79,474	—	79,474	
Recognition of share-based payments	—	—	—	—	562	—	—	562	—	562	
Share issue expenses	(3)	—	—	—	—	—	—	(3)	—	(3)	
Share options exercised	1,006	—	—	—	(215)	—	—	791	—	791	
Transfer to retained profits upon expiry of share options	—	—	—	—	(670)	—	670	—	—	—	
Total comprehensive income for the nine months ended 30 September 2012	—	—	(5,983)	—	—	—	74,256	68,273	—	68,273	
<b>Balance at 30 September 2012</b>	<b>1,307,760</b>	<b>2,325</b>	<b>58,256</b>	<b>(79,992)</b>	<b>10,892</b>	<b>14,917</b>	<b>640,402</b>	<b>1,954,560</b>	<b>—</b>	<b>1,954,560</b>	
Balance at 1 January 2013	1,394,441	2,325	66,821	(79,992)	11,322	—	613,901	2,008,818	—	2,008,818	
Exchange difference on translation into presentation currency	—	—	36,949	—	—	—	—	36,949	(49)	36,900	
Profit for the period	—	—	—	—	—	—	16,426	16,426	(114)	16,312	
Total comprehensive income for the nine months ended 30 September 2013	—	—	36,949	—	—	—	16,426	53,375	(163)	53,212	
Issue of new shares	72,000	—	—	—	—	—	—	72,000	—	72,000	
Share issue expenses	(91)	—	—	—	—	—	—	(91)	—	(91)	
Recognition of share-based payments	—	—	—	—	1,987	—	—	1,987	—	1,987	
Transfer to retained profits upon expiry of share options	—	—	—	—	(10,330)	—	10,330	—	—	0	
Acquisition of subsidiary	—	—	—	—	—	—	—	—	25,620	25,620	
Disposal of subsidiaries	—	—	(29,034)	—	—	—	—	(29,034)	—	(29,034)	
<b>Balance at 30 September 2013</b>	<b>1,466,350</b>	<b>2,325</b>	<b>74,736</b>	<b>(79,992)</b>	<b>2,979</b>	<b>—</b>	<b>640,657</b>	<b>2,107,055</b>	<b>25,457</b>	<b>2,132,512</b>	

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial review

For the nine months ended 30 September 2013, the Group recorded a consolidated revenue of approximately HK\$245.6 million, representing a decrease of approximately 46% when compared to approximately HK\$454.2 million for the corresponding period in the last year.

Gross profit margin of the Group increased from approximately 33.3% for the corresponding period of last financial year to approximately 38.8% for the current nine-month period, resulting from the change of business mix.

Other income amounted to HK\$3.4 million for the nine months ended 30 September 2012, representing a decrease of about 91% when compared to approximately HK\$40.0 million for the corresponding period of the last year. As far as the Group develops its businesses, the Group found that some of its intellectual properties were not applicable to the Group's business. The Group therefore transferred its self-developed software and technology to its clients who need them, which substantially enhanced the sundry income for the nine months ended 30 September 2012.

Other operating expenses amounted to HK\$49.4 million for the nine months ended 30 September 2013, representing a decrease of 55% when compared to approximately HK\$110.0 million for the corresponding period of the last year. The decrease was principally due to the inclusion of the loss on fair value changes of securities held, the expansion of the digital cable television business units and the increase of research and developments costs and general administration costs such as staff salaries during the nine months ended 30 September 2012.

The profit attributable to owners of the Company amounted to approximately HK\$16.4 million for the nine months ended 30 September 2013, representing a decrease of approximately 78% when compared to HK\$74.3 million over the corresponding period in the previous year. Basic earnings per share was approximately HK\$0.0052 for the nine months ended 30 September 2013, representing a decrease of approximately 82% compared to approximately HK\$0.0285 for the corresponding period of the last year.

As at 30 September 2013, the cash and bank balances of the Group amounted to approximately HK\$19.3 million, representing a decrease of approximately 58% when compared to approximately HK\$45.6 million as at 30 June 2013. Cash was mainly used for the purchases of inventories for resale. The gearing ratio of the Group, calculated as total borrowings over total assets, was approximately 0.06 (30 June 2013: 0.06).

### 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.

On 10 September 2013, the Company entered into another conditional subscription agreement with an independent investor. Pursuant to the subscription agreement, the subscriber has conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue a total of 200,000,000 subscription shares at a price of HK\$0.25 per subscription share. The subscription was completed on 17 September 2013 and net proceeds amounted to approximately HK\$50.0 million, thereby providing the Group with additional cash resources for any possible acquisition and 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 nine months ended 30 September 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. Further details of the acquisition are set out in the Company’s announcement dated 22 July 2013. The acquisition was completed on 30 August 2013, which Zhong Kuang has become an indirect non-wholly-owned subsidiary of the Company and its financial results have been consolidated into the Group’s financial results.

## **Acquisition of Yunnan Diqing**

On 26 September 2013, Beijing Jinqiao and Mr. Lin Anming (“Mr. Lin”) entered into a sale and purchase agreement, pursuant to which Mr. Lin agreed to sell to Beijing Jinqiao, and Beijing Jinqiao agreed to purchase from Mr. Lin in aggregate 70% of the equity interests in 雲南迪慶泰安礦業有限公司 (Yunnan Diqing Taian Mining Co., Ltd) (“Yunnan Diqing”), at a total cash consideration of RMB100 million (equivalent to approximately HK\$126 million). Yunnan Diqing was incorporated in the PRC on 19 December 2007 with a paid-up registered capital of RMB80 million and is principally engaged in the ore and tailing treatment and processing, and trading of mineral products. It has obtained the production safety permit and pollutant emission permit from relevant local regulatory bodies. Yunnan Diqing has a wholly-owned subsidiary with a paid up registered capital of RMB20 million, which owns a lead-zinc and copper mine in Yunnan with a valid mining license covering a total area of 3.1003 sq.km. for a period from 26 August 2010 to 26 August 2017. 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. The deposit of RMB10,000,000 (equivalent to approximately HK\$12.6 million), after netting off professional expenses, has been received by the Group.

### Business review

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

The Group has achieved stable progress for its network construction project in the integration of the three networks and revenue for the digital cable television operational business in rural areas. The revenues in the nine months ended 30 September 2013 amounted to approximately HK\$125.7 million (around 51% of the total revenue of the Group). The revenue comprised operational revenues from basic subscription and other value added technology as well as market service income arising from the 1,000,000 subscribers of the Hebei rural television network and sales of digital cable television business related products.

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

Revenue for the nine months ended 30 September 2013 amounted to approximately HK\$40.0 million or 16% of the total revenue. The Group has signed contracts on wireless mobile digital television operation in Hebei province, which includes operation for value-added businesses such as 6,000 advertising display panels in public areas.

#### (iii) *Encrypted integrated circuits and the derived integrated business*

The revenue for the nine months ended 30 September 2013 generated from the encrypted integrated circuits and the derived integrated business and the related technical services amounted to approximately HK\$12.6 million or approximately 5% of the total revenue. During the third quarter ended 30 September 2013, the revenue from software sales and technical solution provision of this segment was materially affected due to less market demands and development cycle issues.

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

The revenue for the nine months ended 30 September 2013 generated from the wireless digital audio products business and the related technical services amounted to approximately HK\$20.4 million or approximately 8% of the total revenue. During the first three quarters in 2013, the demand of the Group’s products from both domestic and overseas markets was mediocre.

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

Approximately HK\$46.8 million or 20% of the total revenue of the Group in the nine months ended 30 September 2013 was derived from the construction projects of the wireless digital terrestrial television operating platform and the sales of related products.

## Prospects

During the past months, the Group has been investing its resources in the acquisition of new business and was prepared to enter into new business segments. In the coming year, the Group will continue to consolidate and better serve its contracted broadcasting television subscribers, and build a foundation for achieving the overall objectives of development of the Group. Besides, the Group will 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.

## **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 September 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:

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

Save as disclosed above, at no time during the nine months ended 30 September 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 September 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	18.29%
Team Effort Investments Limited ( <i>Note</i> )	623,542,451 (L)	Beneficial owner	18.29%
Yang Kui	200,000,000 (L)	Beneficial owner	5.87%

*L: Long Position*

*Note:*

Team Effort Investments Limited is wholly owned by Mr. Choi Chung Lam. 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 September 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 SCHEME

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 30 September 2013 with respect to their share options granted under the Share Option Schemes:

Participants	Number of Shares <i>(Note)</i>					As of 30 September 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 controlling 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-yearly 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.

## **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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2013.

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

Hong Kong, 14 November 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.*

*This announcement will remain on the GEM website on the "Latest Company Announcement" page for at least 7 days from the date of its posting and on the website of the Company at [www.hengxinchina.com.hk](http://www.hengxinchina.com.hk).*