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Heng Xin China Holdings Limited
恒芯中國控股有限公司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 8046)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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.

This announcement, for which the directors (the "Directors") of Heng Xin China Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. 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*

HIGHLIGHTS

- The Group recorded a consolidated revenue of approximately HK$227.5 million for the year ended 31 December 2013, compared with that of approximately HK$300.3 million for the six months ended 31 December 2012.
- The Group recorded a loss attributable to the shareholders of the Company of approximately HK$1,041.6 million for the financial year ended 31 December 2013, compared to a profit attributable to the shareholders of the Company of approximately HK$1.2 million for the six months ended 31 December 2012.
- Basic loss per share of the Company was approximately HK32.15 cent for the financial year ended 31 December 2013, compared to basic earnings per share approximately HK0.04 cents for the six months ended 31 December 2012.
- The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2013.

RESULTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Notes	1.1.2013 to 31.12.2013 HK$'000	1.7.2012 to 31.12.2012 HK$'000
Revenue	*4*	**227,539**	300,332
Cost of sales		**(96,443)**	(264,566)
Gross profit		**131,096**	35,766
Other income		**7,357**	11,723
Gain on disposal of financial assets at fair value through profit or loss		**—**	390
Gain on disposal of subsidiaries		**1,897**	—
Written back on provision for trade receivables		**—**	49,294
Selling and marketing expenses		**(7,413)**	(8,560)
Share of loss of associate		**(232)**	—
Impairment losses on goodwill		**(489,845)**	—
Impairment losses on intangible assets		**(128,932)**	—
Impairment losses on inventories		**(11,605)**	—
Impairment losses on trade receivables		**(101,811)**	—
Impairment losses on prepayment, deposits and other receivables		**(151,303)**	—
Net loss on remeasurement of assets classified as held or sale		**(127,734)**	28,230
Other operating expenses		**(136,652)**	(74,215)
Finance costs		**(9,684)**	(4,470)
(Loss)/profit before taxation		**(1,024,861)**	9,928
Taxation	*5*	**(16,698)**	(8,766)
(Loss)/profit for the year/period	*6*	**(1,041,559)**	1,162
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**62,460**	4,329
Reclassification adjustments relating to foreign operation disposed of during the year		**(29,031)**	—
Total comprehensive (loss)/income for the year/period		**(1,008,130)**	5,491

	Note	1.1.2013 to 31.12.2013 HK$'000	1.7.2012 to 31.12.2012 HK$'000
(Loss)/profit attributable to			
Owners of the Company		**(1,039,559)**	1,162
Non-controlling interests		**(2,000)**	—
		(1,041,559)	1,162
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(1,006,106)**	5,491
Non-controlling interests		**(2,024)**	—
		(1,008,130)	5,491
BASIS (LOSS)/EARNINGS PER SHARE	*7*	**(32.15) cents**	0.04 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2013

	Notes	**31.12.2013** **HK$'000**	31.12.2012 *HK$'000*
Non-current assets			
Property, plant and equipment		**94,144**	265,560
Goodwill		**267,061**	753,146
Intangible assets		**14,642**	127,732
Interest in associate		**40,992**	—
Deposits for acquisition of non-current assets		**148,008**	127,291
		564,847	1,273,729
Current assets			
Inventories		**257,859**	29,211
Trade receivables	*9*	**302,107**	399,160
Prepayments, deposits and other receivables		**484,536**	188,884
Restricted bank deposits		**7,140**	8,786
Cash and cash equivalents		**130,726**	13,067
		1,182,368	639,108
Assets classified as held for sale	*10*	**171,678**	581,152
		1,354,046	1,220,260
Current liabilities			
Trade payables	*11*	**265,901**	48,579
Other payables and accruals		**200,954**	36,673
Receipts in advance		**21,411**	37,247
Obligations under finance leases		**26**	286
Notes payable		**150,000**	—
Short term loans		**12,366**	7,596
Tax payable		**55,334**	49,977
		705,992	180,358
Liabilities directly associated with assets classified as held for sale	*10*	**—**	48,048
		705,992	228,406
Net current assets		**648,054**	991,854
Total assets less current liabilities		**1,212,901**	2,265,583

	Note	31.12.2013 *HK$'000*	31.12.2012 *HK$'000*
Non-current liabilities			
Receipts in advance		**76,098**	73,632
Obligations under finance leases		**—**	26
Deferred tax liabilities		**—**	2,021
Notes payable		**—**	150,000
		76,098	225,679
Net assets		**1,136,803**	2,039,904
Capital and reserves			
Share capital	*12*	**34,086**	31,086
Reserves		**1,077,025**	2,008,818
Equity attributable to			
Owners of the Company		**1,111,111**	2,039,304
Non-controlling interests		**25,692**	—
Total equity		**1,136,803**	2,039,904

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Attributable to owners of the Company										
	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*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 July 2012	28,086	1,307,760	2,325	62,492	(79,992)	10,652	14,917	597,822	1,944,062	—	1,944,062
Profit for the period	—	—	—	—	—	—	—	1,162	1,162	—	1,162
Other comprehensive income											
Exchange differences on transating foreign operations	—	—	—	4,329	—	—	—	—	4,329	—	4,329
Total comprehensive income	—	—	—	4,329	—	—	—	1,162	5,491	—	5,491
Derecognition of convertible notes	—	—	—	—	—	—	(14,917)	14,917	—	—	—
Issue of new shares	3,000	87,000	—	—	—	—	—	—	90,000	—	90,000
Share issue expenses	—	(319)	—	—	—	—	—	—	(319)	—	(319)
Recognition of share-based payments	—	—	—	—	—	670	—	—	670	—	670
	3,000	86,681	—	—	—	670	(14,917)	14,917	90,351	—	90,351
At 31 December 2012	31,086	1,394,441	2,325	66,821	(79,992)	11,322	—	613,901	2,039,904	—	2,039,904
At 1 January 2013	31,086	1,394,441	2,325	66,821	(79,992)	11,322	—	613,901	2,039,904	—	2,039,904
Loss for the year	—	—	—	—	—	—	—	(1,039,559)	(1,039,559)	(2,000)	(1,041,559)
Other comprehensive income											
Exchange differences on transating foreign operations	—	—	—	62,484	—	—	—	—	62,484	(24)	62,460
Reclassification adjustments relating to foreign operation disposed of during the year	—	—	—	(29,031)	—	—	—	—	(29,031)	—	(29,031)
Total comprehensive income	—	—	—	33,453	—	—	—	(1,039,559)	(1,006,106)	(2,024)	(1,008,130)
Acquisition of subsidiary	—	—	—	—	—	—	—	—	—	27,716	27,716
Issue of new shares	3,000	72,000	—	—	—	—	—	—	75,000	—	75,000
Share issue expenses	—	(91)	—	—	—	—	—	—	(91)	—	(91)
Recognition of share-based payments	—	—	—	—	—	2,404	—	—	2,404	—	2,404
Share options lapsed during the year	—	—	—	—	—	(10,330)	—	10,330	—	—	—
	3,000	71,909	—	—	—	(7,926)	—	10,330	77,313	27,716	105,029
At 31 December 2013	34,086	1,466,350	2,325	100,274	(79,992)	3,396	—	(415,328)	1,111,111	25,692	1,136,083

NOTES:

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is Unit 2, 24/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

The principal activity of the Company is investment holding. The Group is principally 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. CHANGE OF FINANCIAL YEAR END DATE

On 12 November 2012, the Company announced that the financial year end date of the Company was changed from 30 June to 31 December (the "Change"). The Change is to coincide the financial year end date of the Company with the financial year end date of its subsidiaries which were incorporated in the People's Republic of China, the financial results of which are consolidated in the Company's consolidated financial statements and their financial statements are statutorily required to be closed with the financial year end date of 31 December. The Change has resulted in the consolidated financial statements for the year ended 31 December 2013 covering a period of 12 months while the comparative amounts for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes for the period from 1 July 2012 to 31 December 2012 cover a period of 6 months, and therefore they may not be comparable.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current period, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS (Amendments)	Annual Improvements to HKFRSs 2009 — 2011 Cycle
HKFRS 1 (Amendments)	Government Loans
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities — Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HK (IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine

The application of the new and revised HKFRSs in the current period has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements, except as described below:

HKFRS 10 Consolidated Financial Statements

HKFRS 10 replaces the requirements in HKAS 27, "Consolidated and Separate Financial Statements" relating to the preparation of consolidation financial statements and HK (SIC)-Int 12, "Consolidation-Special Purpose Entities". It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. The Group has provided those disclosures.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

Amendments to HKAS 19 (as revised in 2011)	Defined Benefit Plans: Employee Contribution[2]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Contribution of Hedge Accounting[1]
HKFRSs (Amendments)	Annual Improvments to HKFRSs 2010 — 2012 Cycle[2]
HKFRS 9	Financial Instruments[5]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting an Amendments to HKFRS 9, HKFRS 7 and HKAS 39[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (as revised in 2011)	Investment Entities[1]
HKFRS 14	Regulatory Deferral Accounts[4]
HK (IFIRC) — Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 July 2014 with limited exception
4 Effective for annual periods beginning on or after 1 January 2016
5 No mandatory effective date yet determined but is available for adoption

The Group has already commenced an assessment of the impact of these new and revised HKFRSs, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable by the Group from the sale of goods and services rendered to outside customers, net of discounts, returns and sales related taxes, for each period and is analysed as follows:

	1.1.2013 to 31.12.2013	1.7.2012 to 31.12.2012
	HK$'000	*HK$'000*
Digital cable television business	**126,745**	65,796
Wireless digital television value-added services	**24,485**	45,796
Encrypted integrated circuits	**13,085**	2,891
Wireless digital audio integrated circuits	**16,451**	37,130
Wireless digital terrestrial television network equipment integration	**46,773**	148,719
	227,539	300,332

The chief operating decision-maker has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports reviewed by the Executive Directors.

The Executive Directors consider the performance of the Group from the perspective of the nature of products and services. The chief operating decision-maker assesses the performance of the operating segments based on a measure of segment profit/(loss) without allocation of finance costs which is consistent with that in the accounts.

The segment information for the year ended and as at 31 December 2013 is as follows:

	Digital cable television business HK$'000	Wireless digital television value-added services HK$'000	Encrypted integrated circuits HK$'000	Wireless digital audio integrated circuits HK$'000	Wireless digital terrestrial television network equipment integration HK$'000	Total HK$'000
Revenue						
Segment revenue from external customers	126,745	24,485	13,085	16,451	46,773	227,539
Segment results	109,595	20,014	551	1,376	1,082	132,618
Unallocated income						7,357
Share of loss of associate						(232)
Gain on disposal of subsidiaries						1,897
Unallocated expenses						(1,156,817)
Finance costs						(9,684)
Loss before taxation						(1,024,861)
Taxation						(16,698)
Loss for the year						(1,041,559)
Assets						
Segment assets	521,444	102,503	671,773	419,874	—	1,715,594
Unallocated assets						31,621
Assets held for sale						171,678
Consolidated total assets						1,918,893
Liabilities						
Segment liabilities	142,359	141,062	208,562	45,413	—	537,396
Unallocated liabilities						244,694
Consolidated total liabilities						782,090
Other information						
Capital expenditure	5,809	4	2	—	—	5,815
Unallocated capital expenditure						2,664
Total capital expenditure						8,479
Depreciation	4,463	568	111	1,691	—	6,833
Unallocated depreciation						1,252
Total depreciation						8,085
Impairment losses on goodwill						489,845
Impairment losses on intangible assets						128,932
Impairment loss on inventories						11,605
Impairment losses on trade receivables						101,811
Impairment loss on prepayments, deposits and other receivables						151,303
Net loss on remeasurement of assets classified as held for sale						127,734

The segment information for the six months ended and as at 31 December 2012 is as follows:

	Digital cable television business *HK$'000*	Wireless digital television value-added services *HK$'000*	Encrypted integrated circuits *HK$'000*	Wireless digital audio integrated circuits *HK$'000*	Wireless digital terrestrial television network equipment integration *HK$'000*	Total *HK$'000*
Revenue						
Segment revenue from external customers	65,976	45,796	2,891	37,130	148,719	300,332
Segment results	39,892	(28,944)	36,998	(3,185)	12,702	57,463
Unallocated income						206
Unallocated expenses						(43,271)
Finance costs						(4,470)
Profit before taxation						9,928
Taxation						(8,766)
Profit for the period						1,162
Assets						
Segment assets	1,089,185	134,226	443,295	163,128	—	1,829,834
Unallocated assets						83,003
Assets held for sale						581,152
Consolidated total assets						2,493,989
Liabilities						
Segment liabilities	94,487	103,755	17,271	2,155	—	217,668
Unallocated liabilities						188,369
Liabilities directly associated with assets classified as held for sale						48,048
Consolidated total liabilities						454,085
Other information						
Capital expenditure	41,103	260	7	8,678	—	50,048
Unallocated capital expenditure						52
Total capital expenditure						50,100
Depreciation	6,340	20	75	722	143	7,300
Unallocated depreciation						785
Total depreciation						8,085
Allowance for doubtful debts on trade receivables, net						—
Allowance for inventories						—
Impairment loss on intangible assets						—
Impairment loss on prepayments, deposits and other receivables						—
Net loss on remeasurement of assets classified as held for sale						28,230
Written back on provision for trade receivables	6,417	—	39,752	231	2,894	49,294

Geographical information

The Group's revenue from external customers and information about non-current assets by geographical location of the customers and assets respectively are detailed below.

	Revenue from external customers		Non-current assets	
	1.1.2013 to 31.12.2013	1.7.2012 to 31.12.2012	**31.12.2013**	31.12.2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**13,313**	35,128	**1,504**	2,744
The PRC	**214,226**	265,204	**563,343**	1,270,985
	227,539	300,332	**564,847**	1,273,729

Information about major customers

Revenue from customers of the corresponding periods individually contributing over 10% of the total revenue of the Group are revenue from digital cable television business, wireless digital television value-added services, wireless digital audio integrated circuits and wireless digital terrestrial television network equipment integration (six months ended 31 December 2012: revenue from digital cable television business, wireless digital television value-added services, wireless digital audio integrated circuits and wireless digital terrestrial television network equipment integration) and as follows:

	1.1.2013 to 31.12.2013	1.7.2012 to 31.12.2012
	HK$'000	*HK$'000*
Customer A	**56,392**	50,797
Customer B	**56,392**	36,837
Customer C	**22,622**	39,592
Customer D	**11,822**	36,837
	147,228	164,063

5. TAXATION

	1.1.2013 to 31.12.2013	1.7.2012 to 31.12.2012
	HK$'000	*HK$'000*
Current tax:		
— Hong Kong	—	45
— PRC Enterprise Income Tax	**18,719**	8,721
Deferred tax:		
— current year/period	**(2,021)**	—
	16,698	8,766

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.

The tax charge for the year/period can be reconciled to the (loss)/profit per the consolidated statement of profit or loss and other comprehensive income as follows:

	1.1.2013 to 31.12.2013 *HK$'000*	1.7.2012 to 31.12.2012 *HK$'000*
(Loss)/profit before taxation	**(1,024,861)**	9,928
Tax at applicable tax rate	**(264,896)**	2,482
Tax effect of expenses not deductible for tax purpose	**257,751**	4,674
Tax effect of income not taxable for tax purpose	**(890)**	(6,831)
Tax effect of temporary difference	**(1,865)**	2,071
Tax effect of tax losses not recognised	**26,598**	12,189
Effect of tax exemptions granted to PRC subsidiaries	**—**	(5,819)
Taxation charge	**16,698**	8,766

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

(Loss)/profit for the year/period has been arrived at after charging:

	1.1.2013 to 31.12.2013 *HK$'000*	1.7.2012 to 31.12.2012 *HK$'000*
Auditor's remuneration	**980**	650
Consultancy fee		
— share-based payment expenses	**2,168**	268
Cost of inventories recognised as expense	**87,991**	264,566
Depreciation		
— owned assets	**19,389**	7,892
— assets under finance leases	**559**	193
Exchange loss	**99**	—
Loss on disposal of property, plant and equipment	**—**	3,549
Research and development costs	**18,157**	6,414
Staff costs (including directors' emoluments)		
— salaries and allowances	**20,293**	11,184
— retirement benefits scheme contributions	**2,336**	370
— share-based payment expenses	**241**	402

7. (LOSS)/EARNINGS PER SHARE

(a) Basic

The calculation of basic loss per share is based on the consolidated loss for the year attributable to the owners of the Company of HK$1,039,559,000 (six months ended 31 December 2012: profit of HK$1,162,000) and weighted average number of 3,240,097,000 (2012: 2,831,416,000) ordinary shares in issue during the year ended 31 December 2013.

(b) Diluted

No diluted loss per share has been presented as the exercise price of the Company's outstanding share options and warrants were higher than the average market price of the Company's shares for the year ended 31 December 2013 (six months ended 31 December 2012: Nil).

8. DIVIDEND

The board of Directors (the "Board") does not recommend the payment of a final dividend for the year ended 31 December 2013 (six months ended 31 December 2012: Nil).

9. TRADE RECEIVABLES

	31.12.2013	31.12.2012
	HK$'000	*HK$'000*
Trade receivables	**403,918**	399,160
Less: allowance for doubtful debts	**—**	—
provision for impairment losses	**(101,811)**	—
	302,107	399,160

The ageing analysis of trade receivables (net of allowance for doubtful debts) that were past due but not impaired are as follows:

	31.12.2013	31.12.2012
	HK$'000	*HK$'000*
Within 30 days	**—**	91,467
31-90 days	**—**	23,386
91-180 days	**24,390**	53,076
Over 180 days	**240,422**	162,059
	264,812	329,988

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

The following is the movement in the allowance for bad and doubtful debts:

	31.12.2013	31.12.2012
	HK$'000	*HK$'000*
At beginning of year/period	—	49,294
Impairment losses recognised	—	—
Amounts written back during the year/period	—	(49,294)
Exchange realignment	—	—
At end of year/period	—	—

At the end of the reporting period, the Group has determined trade receivables of HK$101,811,000 (2012: HK$Nil) as impaired. The impaired trade receivables are due from the customers which due over 365 days.

10. ASSETS CLASSIFIED AS HELD FOR SALE

The Group intended to dispose of its telecommunication equipment and to waive trade receivable from Hebei Guangdian Network Investment Limited and the disposal was approved by the shareholders of the Company at the special general meeting held on 10 March 2014.

In 2012, the Group intended to dispose of its subsidiary, Magic Golden Limited and the disposal was completed on 24 January 2013. The major classes of assets and liabilities at the end of the reporting period are as follows

Assets classified as held for sale comprise:

	31.12.2013	31.12.2012
	HK$'000	*HK$'000*
Property, plant and equipment	**18,873**	—
Inventories	—	164,238
Trade receivables	**152,805**	191,086
Prepayment, deposits and other receivables	—	156,725
Tax credit	—	21,223
Cash and cash equivalents	—	47,880
Assets classified as held for sale	**171,678**	581,152

Liabilities associated with assets classified as held for sale comprise:

	31.12.2013	31.12.2012
	HK$'000	*HK$'000*
Trade payables	—	(47,816)
Other payables and accruals	—	(232)
Liabilities directly associated with assets classified as held for sale	—	(48,048)
Net assets classified as held for sale	—	533,104
Exchange fluctuation reserve relating to assets classified as held for sale	—	25,025

11. TRADE PAYABLES

The ageing analysis of the trade payables as at the end of the reporting period is as follows:

	31.12.2013	31.12.2012
	HK$'000	*HK$'000*
Within 30 days	**227,207**	5,043
31 to 60 days	**94**	5,752
61 to 90 days	**2,698**	18,646
Over 90 days	**35,902**	19,138
	265,901	48,579

12. SHARE CAPITAL

	31.12.2013		31.12.2012	
	Number of share		Number of share	
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid:				
At beginning of year/period	**3,108,590**	**31,086**	2,808,590	28,086
Issue of shares upon placing *(Note)*	**300,000**	**3,000**	300,000	3,000
At end of year/period	**3,408,590**	**34,086**	3,108,590	31,086

Note:

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 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 operation.

On 10 September 2013, the Company entered into another conditional subscription agreement with an independent investor. Pursuant to the subscription agreement, the subscriber 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.

On 12 December 2012, the Company entered into a conditional subscription agreement with each of two subscribers. Pursuant to the subscription agreement, the subscribers conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue a total of 300,000,000 subscription shares at a price of HK$0.30 per subscription share. The subscription was completed on 18 December 2012 and net proceeds amounted to approximately HK$89.7 million, thereby providing the Group with additional cash resources for general working capital of the Group and for any possible acquisition in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

I. THE GROUP

The Group recorded a decline in its overall results for the financial year end 31 December 2013 compared to the overall business results for the six months ended 31 December 2012. In response to the market structure and based on the overall plan of the Group, the Group had been investing its resources in the acquisition of new business and was prepared to enter into new business segments during the year.

II. BUSINESS REVIEW

Digital cable television business

During the year 2013, in response to the "three networks integration" policies, the Group fully completed its transformation, and established its position as an operator of television broadcasting integrated businesses in the industry.

The Group's existing operation right on value-added business covers areas such as Anhui and Nanchang of Jiangxi province. The Group has signed contracts on establishment and operation of value-added business for 5.5 million cable television subscribers. In Hebei province and Datong of Shanxi province, the Group has signed contracts on establishment and operation of basic television business for 3.7 million cable television subscribers. The contracted units and intended contracted units of the 301 remote medical treatment project are located in provinces and cities such as Shaanxi, Liaoning, Guangdong and Xinjiang.

On 31 December 2013, the Group entered into a termination agreement with 河北廣電網絡投資有限公司 (Hebei Guangdian Network Investment Limited) to restructure its businesses and deploy its resources out of the cable television market in Hebei province. Details of the disposal are set out in the Company's announcement dated 31 December 2013.

Wireless digital television value-added services

The Group signed contracts for the operation of wireless digital mobile television in Hebei province, under which value-added businesses such as advertisement displayed via 60,000 display panels in public areas will be carried out.

Wireless digital terrestrial television network equipment integration business

This business segment made less contribution to the gross profit of the Group as a result of relatively substantial impact from the weak demand for set-top boxes and related products. The disposed group which was disposed during the year 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 integration 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.

Information safety technology business

In order to improve its profitability, the Group has expanded distribution channel for encrypted integrated circuits. Although, changes in customer demand resulted in a large amount of inventories as at the end of the year, target customers have been identified and no effect of overstock will happen in the Group.

Wireless digital audio products business

During the year 2013, the Group's revenues mainly came from sales to domestic customers. The demand from domestic and overseas markets was mediocre. However, the Board expects the Group's market share will grow in the future with more projects cooperating with the domestic and overseas customers over the past few years, which may generate higher earnings for the Group's and would be a profit driver in the future.

III. PROSPECTS

The Group is principally engaged in digital cable television 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. After one year's strategic transformation, the Group has transformed into an enterprise with bulk commodity trading and energy investment and holding as its major businesses from one that principally engaged in electronic message business during the year 2013.

In year 2014, the Group will further consolidate and serve its contracted broadcasting television subscribers, and build a foundation for achieving the overall objectives of development of the Group. More importantly, the Group will seek cooperation opportunities in new provinces while sharply expand its business in the provinces in which cooperation has been established, so as to create more promising profit growth and long-term value for the Group.

In addition, as an integrated supplier of wireless short-range products from integrated circuits to solutions, the Company's new projects has increased by two to three folds in terms of number due to the recovery from the global European financial crisis, though the sales in the overseas markets decreased in the first quarter as compared to that of the last quarter of last year.

New projects will enter mass production in year 2014 as supported by purchase orders for integrated circuits, and many enterprises are exploring new profit drivers during the crisis. The number of new customers of the Group in the overseas markets has significantly increased. It is expected that the Group will greatly expand its market share.

The Group has been planning to explore the domestic market to expand the domestic market share before there is any greater impact on the export market, and has achieved remarkable results in terms of market shares and sales volume, which will be a great start for the domestic sales market. The Group will strive to enter into new consumer and automotive electronics markets in order to bring a new and rapid profit driver for the Group.

Moreover, in order to promote its strategic transformation, the Group disposed Beijing Zhongguang at the beginning of the year, which secured necessary funding for the Group to carry out bulk commodity trading and acquire energy companies in the future. The termination of the acquisition of Yantai Xinmu Cable Co., Ltd. did not incur any loss to the Group.

With regard to new businesses, the acquisition of 中礦京資投資有限公司 (Zhong Kuang Jing Zi Investment Co., Ltd) ("Zhong Kuang") by the Group laid down the foundation for its investment in energy companies. 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. The acquisition was completed on 30 August 2013, which Zhong Kuang has become an indirect wholly-owned subsidiary of the Company and its financial results have been consolidated into the Group's financial results during the year.

On 26 September 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 agreed to enter into the Sale and Purchase Agreement with Mr. Lin Anming ("Mr. Lin"), 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 RMB100,000,000 (equivalent to approximately HK$127,000,000). Yunnan Diqing was incorporated in the PRC on 19 December 2007 with a paid-up registered capital of RMB80 million. It 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 province 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. Up to the date of this announcement, the acquisition has not been completed.

On 17 January 2014, the Company entered into the Letter of Intent with an independent third party pursuant to which the Company intended to acquire the entire equity interest of a company incorporated in the PRC which is principally engaged in research and development on the application technologies and genetic engineering of castor seeds, manufacturing and selling of castor seeds, castor oil and other related products such as biodiesel, Nylon 11 plastics, lubricants and so on. The details of the Letter of Intent in respect of the possible acquisition is set out in the Company's announcement dated 17 January 2014.

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 foreseeable future, 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 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.

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group recorded a consolidated revenue of approximately HK$227.5 million, while the revenue for the six months ended 31 December 2012 was approximately HK$300.3 million. Loss attributable to owners of the Company was approximately HK$1,039.6 million, as compared to a profit attributable to the shareholders of the Company of approximately HK$1.2 million for the six months ended 31 December 2012. Basic loss per share was approximately HK32.15 cent, as compared to basic earnings per share approximately HK0.04 cents for the six months ended 31 December 2012.

Revenue

During the year ended 31 December 2013, the revenue of the Group was principally derived from the following business segments:

(i) Digital cable television business

The revenue for the year ended 31 December 2013 generated from the digital cable television business amounted to approximately HK$126.7 million (six month ended 31 December 2012: HK$65.80 million) or approximately 56% (six months ended 31 December 2012: 22%) of the total revenue for this financial period, including operational revenues from basic subscription and other value-added technology and sales of digital cable television business related products.

(ii) Wireless digital television value-added services business

The revenue for the year ended 31 December 2013 generated from the wireless digital television value-added services business amounted to approximately HK$24.5 million (six months end 31 December 2012: HK$45.80 million) or 11% (six months ended 31 December 2012: 15%) of the total revenue.

(iii) Information safety technology business

The revenue for the year ended 31 December 2013 generated from the encrypted integrated circuits and the derived integrated business amounted to approximately HK$13.1 million (six months ended 31 December 2012: HK$2.9 million) or approximately 6% (six months ended 31 December 2012: 1%) of the total revenue.

(iv) Wireless digital audio products business

The revenue for the year ended 31 December 2013 generated from the wireless digital audio products business and the related technical services amounted to approximately HK$16.5 million (six months ended 31 December 2012: HK$37.1 million) or approximately 7% (six months ended 31 December 2012: 12%) of the total revenue.

(v) Wireless digital terrestrial television network equipment integration business

The revenue for the year ended 31 December 2013 generated from the wireless digital terrestrial television network equipment integration business amounted to approximately HK$46.8 million (six months ended 31 December 2012: HK$148.7 million) or approximately 21% (six months ended 31 December 2012: 50%) of the total revenue.

Gross Profit Margin

Gross profit margin of the Group was approximately 58% (six months ended 31 December 2012: 12%).

Other Income

Other income amounted to approximately HK$7.4 million (six months ended 31 December 2012: HK$11.7 million) which including interest income from bank deposit of approximately HK$20 thousand during the year (six months ended 31 December 2012: HK$96 thousand), gain on disposal of fixed assets of approximately HK$1.3 million, discount received from early settlement of approximately HK$2.7 million and value-added tax concession on fixed assets of approximately HK$2.6 million and other non-operating income of approximately HK$0.8 million.

Other Operating Expenses

Other operating expenses were approximately HK$136.7 million for the year ended 31 December 2013, compared to approximately HK$74.2 million for the six month ended 31 December 2012.

Finance Costs

Finance costs amounted to approximately HK$9.7 million (six months ended 31 December 2012: HK$4.5 million), of which approximately HK$9.1 million (six months ended 31 December 2012: HK$4.2 million) represented non-cash effective interest expenses on convertible notes issued by the Company before their full conversions.

Property, plant and equipment

Property, plant and equipment amounted to approximately HK$94.1 million, representing a decrease of approximately 65% compared to HK$265.6 million as at 31 December 2012. The decrease was mainly due to the group disposal of its telecommunication equipment to Hebei Guangdian Network Investment Limited and some of the property, plant and equipment were classified into assets classified as held for sale.

Intangible assets

Intangible assets amounted to approximately HK$14.6 million, representing a decrease of approximately 89% compared to HK$127.7 million as at 31 December 2012. As the wireless television business of the Group was shrinking, the Group disposed some of its idol proprietary technology and intangible assets developed within this business for higher considerations during the year ended 31 December 2013.

Inventories

Inventories amounted to approximately HK$257.9 million, representing an increase of approximately 783% compared to HK$29.2 million as at 31 December 2012. The inventories comprised set-top boxes, software and equipment for trading.

Trade receivables

Total trade receivables (net of allowance for doubtful debts) amounted to approximately HK$302.1 million, representing a decrease of approximately 24% compared to HK$399.2 million as at 31 December 2012. The Directors determined trade receivable due over 365 days need to be impaired.

Prepayments, deposits and other receivables

Prepayment, deposits and other receivables amounted to approximately HK$484.5 million as at 31 December 2013, a increase of approximately 156% when compared to HK$188.9 million as at 31 December 2012. The increase was mainly due to prepayments to suppliers for purchase of goods and services as a result of the Group's increased engagements for implementation of its businesses during the period under review. The prepayment was made in the Group's ordinary and usual course of business.

Trade payables

Trade payables amounted to approximately HK$265.9 million as at 31 December 2013, an increase of approximately 447% when compared to HK$48.6 million as at 31 December 2012.

Other payables and accruals

Other payables and accruals amounted to approximately HK$201.0 million as at 31 December 2013, an increase of approximately 448% when compared to HK$36.7 million as at 31 December 2012.

Bonds

On 28 December 2010, an aggregate principal amount of HK$200 million of redeemable convertible bonds ("Convertible Bonds") were issued to Sandmartin International Holdings Limited ("Sandmartin"). Further details are set out in the Company's announcements dated 17 December 2010 and 28 December 2010.

On 27 December 2012, the Company redeemed the Convertible Bonds upon their maturity.

On the same day, the Company and Sandmartin entered into a subscription agreement pursuant to which Sandmartin subscribed for the bond in an aggregate principal amount of HK$100 million. The bond carries interest at the rate of 6% per annum and will mature for redemption on 26 December 2014. Details are set out in the Company's announcement dated 27 December 2012.

On 22 November 2012, the Company entered into a conditional placing and underwriting agreement (the "Placing Agreement") with Emperor Securities Limited (the "Placing Agent") pursuant to which the Placing Agent agreed to act as placing agent for the purposes of arranging subscribers for the issue of (i) bonds in an aggregate principal amount of HK$50 million on a fully underwritten basis (the "First Tranche Bonds"); and (ii) bonds in an aggregate principal amount of up to HK$100 million on a best effort basis (the "Second Tranche Boards"). The placing of the First Tranche Bonds was completed on 21 December 2012 in accordance with the terms and conditions of the Placing Agreement. Each of the First Tranche Bonds and the Second Tranche Boards carries interest at the rate of 6% per annum and will mature for redemption on 20 December 2014. Details are set out in the Company's announcements dated 22 November 2012 and 21 December 2012.

Grant of Options

To capture the growth in the digital television market in the PRC, the Company has engaged the services of two consultants to provide marketing services and financial services to the Group and conditionally granted to each of the consultants the option to subscribe for 20,000,000 shares at an exercise price of HK$0.32 per option share. Details of the agreements are set out in the Company's announcement dated 20 November 2012.

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 said subscription agreements, such investors 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, such investor 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 operations.

EMPLOYEE INFORMATION

As at 31 December 2013, the Group had 124 full-time employees in Hong Kong and the PRC (31 December 2012: 166). The total employees' remuneration, including that of the Directors, amounted to approximately HK$22.1 million (six months ended 31 December 2012: HK$11.9 million).

The Group continues to provide remuneration packages to employees according to market practices, their experience and performance. Remuneration policy is basically determined with reference to individual performance as well as the financial results of the Group. Remuneration to staff will be revised from time to time when warranted considering the performances of staff. Other benefits include medical insurance scheme and contribution of statutory mandatory provident fund for the employees. The Group also has a share option scheme whereby qualified participants may be granted options to acquire shares of the Company. There has been no major change in staff remuneration policies during the year ended 31 December 2013.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group primarily financed its operations with internally generated cash flows. As at 31 December 2013, the cash and bank balances of the Group amounted to approximately HK$137.9 million (31 December 2012: HK$13.1 million). The Renminbi denominated balances of approximately HK$130.3 million (31 December 2012: HK$8.1 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.

As at 31 December 2013, the Group had current assets of approximately HK$1,354.0 million (31 December 2012: HK$1,220.3 million), while its current liabilities were approximately HK$706 million (31 December 2012: HK$228.4 million). The current ratio (current assets to current liabilities) of the Group was approximately 1.92 (31 December 2012: 5.34); and its gearing ratio (total borrowings over shareholders' funds) was approximately 17.77 (31 December 2012: 0.08). Net asset value per share was approximately HK$0.27 as at 31 December 2013 (31 December 2012: HK$0.66).

During the year ended 31 December 2013, an aggregate of 300,000,000 new shares were issued by the Company.

FOREIGN EXCHANGE EXPOSURE

During the year ended 31 December 2013, the majority of the Group's income and expenses were denominated in Renminbi and Hong Kong dollars. Up to 31 December 2013, the management of the Company is of the opinion that the Group has insignificant exposure to foreign exchange risk. As a result, the Group did not use any financial instruments for hedging against fluctuation in foreign exchange for the year ended 31 December 2013. Nevertheless, the management of the Company will closely monitor and from time to time reassess the exchange risk exposures of the Group and enter into non-speculative hedging arrangements if considered necessary.

CHARGES ON GROUP ASSETS

As at 31 December 2013, bank deposits amounting to HK$7,140,000 (31 December 2012: HK$7,055,000) have been pledged to banks for short term loans amounting to HK$12,366,000 (31 December 2012: HK$7,596,000) granted to subsidiaries of the Company. The Company has also provided guarantee to the extent of HK$4,000,000 (31 December 2012: HK$4,000,000).

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no significant contingent liabilities (31 December 2012: Nil).

ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

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$403.4 million). The disposed group includes 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.

On 7 December 2012, Beijing Jinqiao, an indirect wholly owned subsidiary of the Company, 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$170.97 million). Xinmu is principally engaged in (i) production and sales of small physical foamed cable, small coaxial cable, access network, and high-speed data transfer cable for broadband transmission cable television (CATV) and (ii) property development in the PRC. Details of the acquisition are set out in the Company's announcement dated 7 December 2012. The acquisition is yet to be completed.

Acquisition of Zhong Kuang

On 22 July 2013, 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 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 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 Yunnan Diqing, at a total cash consideration of RMB100 million (equivalent to approximately HK$127 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. Further details of the acquisition are set out in the Company's announcement dated 26 September 2013. The acquisition is yet to be completed.

Save as disclosed above, the Group had no material acquisitions or disposals of subsidiaries or significant investment during the year ended 31 December 2013.

CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasize a quality board, sound internal controls, transparency and accountability to all shareholders. The Company has applied the code provisions set out in the Corporate Governance Code and Corporate Governance Report ("CG Code") contained in Appendix 15 of the GEM Listing Rules. Except for the deviations from code provisions A.2.1, A.4.2, C.3.3, C.3.7 and E.1.4 which are explained below, the Company was in compliance with all code provisions set out in the CG Code during the year ended 31 December 2013.

Distinctive Roles of Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive 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 ("CEO") of the Company, supported by the senior management, is responsible for managing the Group's businesses and responsibilities, implementing major strategies, executing Board decisions and coordinating the daily operations of the Group. Up to the date of this announcement, the position of chairman remained vacant. In view of the current operations of the Group, the management considered that there is no imminent need to change the arrangement.

Directors' Retirement by Rotation

Code provision A.4.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Mr. Dong Shi, an independent non-executive Director, did not retire during the last three years. Mr. Dong Shi shall retire by rotation at the 2014 Annual General Meeting of the Company and, being eligible, offers himself for re-election.

Terms of Reference of the Audit Committee

Code provision C.3.3 of the CG Code provides that the terms of reference of the audit committee should include at least, amongst others, members of the committee should liaise with the board and senior management and the committee must meet, at least twice a year, with the issuer's auditors. Code provision C.3.7 of the CG Code provides that the terms of reference of the audit committee should also require it: (a) to review arrangements employees of the issuer can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The audit committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action; and (b) to act as the key representative body for overseeing the issuer's relations with the external auditor. The terms of reference of the audit committee of the Company (the "Audit Committee") only required the Audit Committee to meet with the Company's auditor at least once a year and it did not include the duties required under code provision C.3.7 until revision made on 25 March 2014. However, the Audit Committee had met the auditor four times and had performed such duties in code provision C.3.7 during the year ended 31 December 2013.

Shareholders' Communication Policy

Code provision E.1.4 of the CG Code provides that the board should establish a shareholders' communication policy and review it on a regular basis to ensure its effectiveness. The Company did not adopt a shareholders' communication policy until 25 March 2014. However, the Company has disclosed all necessary information to the shareholders and investors in accordance with the GEM Listing Rules and the Hong Kong Company Ordinances, and reported the Company's performance through various communication channels. These include annual and extraordinary general meetings, quarterly, interim and annual reports, various notices, announcements and circulars. Regular press conferences and briefing meetings with investors, shareholders and analysts are set up from time to time on updated information of the Group.

Save as those mentioned above, in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the year ended 31 December 2013.

COMPETING INTERESTS

None of the Directors or any of their associates (as defined in the GEM Listing Rules) had an interest in a business, which competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

AUDIT COMMITTEE

The Board established the Audit Committee on 30 September 2002 with written terms of reference in accordance with the GEM Listing Rules. The Audit Committee currently consists of three independent non-executive Directors, namely, Mr. Leung Wo Ping *JP* (chairman), Mr. Dong Shi and Mr. Hu Dingdong.

The principal duties of the Audit Committee are to review and supervise 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.

The Audit Committee has reviewed the audited financial statements of the Group for the year ended 31 December 2013.

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 year ended 31 December 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 year ended 31 December 2013.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 25 March 2014

As at the date of this announcement, the Board comprises Mr. Xiao Yan (Chief Executive Officer), Mr. Qiu Bin and Mr. Li Tao as executive Directors; Mr. Xu Lei as non-executive Director; and 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 at www.hkgem.com 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.