



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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT **For the three months ended 30 September 2010**

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

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This announcement, for which the directors of Heng Xin China Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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

HIGHLIGHTS

- The Group recorded an unaudited turnover of approximately HK\$82.4 million for the three months ended 30 September 2010, representing a decrease of approximately 54.2% when compared with approximately HK\$179.7 million for the corresponding period in 2009.
- During the quarter under review, the revenues from the wireless digital terrestrial television network equipment integration business dropped significantly, while the revenues from the segments of encrypted integrated circuits and the wireless digital audio products exceeded that of the corresponding period of last year. The Group continues to engage in the new line of business of digital cable television two-way conversion but as it is only at the early start-up phase, no revenue or earning was recorded for the period.
- The Group recorded an unaudited profit attributable to equity holders of the Company of approximately HK\$25.2 million for the three months ended 30 September 2010, representing approximately 42.4% decrease as compared to approximately HK\$43.7 million for the corresponding period in 2009.
- Earnings per share of the Company was approximately HK 1.59 cents for the three months ended 30 September 2010, representing approximately 42.6% decrease as compared to approximately HK 2.77 cents for the corresponding period in 2009.
- The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2010.

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 ended 30 September 2010 together with the comparative unaudited figures for the corresponding period in 2009.

		Three months ended	
		30 September	
		2010	2009
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	82,377	179,710
Cost of sales		(41,785)	(120,987)
Gross profit		40,592	58,723
Other income	3	1,497	280
Selling and marketing expenses		(1,207)	(878)
Other operating expenses		(9,236)	(9,691)
Profit from operations		31,646	48,434
Finance costs		(4,425)	(423)
Profit before taxation	4	27,221	48,011
Taxation	5	—	(853)
Profit for the period		27,221	47,158
Other comprehensive income			
Exchange differences on translating foreign operations		6,567	354
Total comprehensive income for the period		33,788	47,512
Profit attributable to:			
Equity holders of the Company		25,171	43,702
Non-controlling interest		2,050	3,456
		27,221	47,158
Total comprehensive income attributable to:			
Equity holders of the Company		31,329	44,037
Non-controlling interest		2,459	3,475
		33,788	47,512
Earnings per share attributable to equity holders of the Company			
— basic	6	1.59 cents	2.77 cents
— diluted		1.44 cents	2.77 cents
Dividends	7	—	—

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 were listed on the GEM of the Stock Exchange on 16 April 2003.

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

2. Basis of preparation and accounting policies

The unaudited consolidated results for the three months ended 30 September 2010 have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited consolidated accounts 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 accounts are consistent with those used in the annual financial statements for the year ended 30 June 2010. These unaudited consolidated results should be read in conjunction with the Company's annual report for the year ended 30 June 2010. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 30 June 2011 have no material impact on the Group.

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

3. Turnover and revenue

Turnover and revenue recognised by category during the three months ended 30 September 2010 are as follows:

	Three months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Turnover		
Wireless digital terrestrial television network equipment integration	23,696	136,354
Encrypted integrated circuits and the derived integrated business	27,878	20,787
Wireless digital audio products business	30,803	22,569
	<u>82,377</u>	<u>179,710</u>
Other income		
Bank interest income	46	6
Other interest income	—	163
Sundry income	1,451	111
	<u>1,497</u>	<u>280</u>

4. Profit before taxation

The Group's profit before taxation is arrived at after charging:

	Three months ended 30 September	
	2010 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)
Cost of inventories sold	38,198	120,329
Depreciation	624	394
Operating lease charges		
— equipments and motor vehicles	406	434
— office premises	915	950
— staff quarter	120	171
Research and development costs	571	995
Staff costs (including Directors' remuneration)		
— salaries and allowances	3,266	2,491
— pension scheme contributions	14	9
	<u>14</u>	<u>9</u>

5. Taxation

	Three months ended 30 September	
	2010 <i>HK\$'000</i> (Unaudited)	2009 <i>HK\$'000</i> (Unaudited)
Current tax:		
Hong Kong		
— charge for the year	—	310
Overseas		
— charge for the year	—	543
	<u>—</u>	<u>853</u>

The provision for Hong Kong profits tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

Taxation arising in other jurisdictions, mainly the PRC, is calculated at the rates prevailing in the respective jurisdictions. The applicable enterprise income tax rate for the PRC is 25%.

In accordance with the approval from the relevant tax authorities, Beijing Jinqiao Hengtai Technology Company Limited (“Beijing Jinqiao”) and Beijing Zhongguang Shitong Technology Company Limited (“Beijing Zhongguang”), 93% owned subsidiaries of the Group operating in the PRC, is entitled to two years’ exemption from the PRC corporate income tax (“CIT”) followed by three years’ 50% relief from the CIT. The year ended 31 December 2008 and 31 December 2010 are the first profit-making year of Beijing Jinqiao and Beijing Zhongguang for the purpose of CIT exemption respectively.

6. Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Three months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>25,171</u>	<u>43,702</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,579,248</u>	<u>1,577,341</u>
Basic earnings per share (<i>HK cent</i>)	<u><u>1.59</u></u>	<u><u>2.77</u></u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the adjusted profit attributable to the equity holders of the Company by the total of the weighted average number of ordinary shares in issue during the period and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all share options and conversion of all convertible notes outstanding during the period.

	Three months ended	
	30 September	
	2010	2009
	(Unaudited)	(Unaudited)
Profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	25,171	43,702
Effective interest expenses on convertible notes	<u>4,047</u>	<u>—</u>
Adjusted profit attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>29,218</u>	<u>43,702</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	1,579,248	1,577,341
Weighted average number of ordinary shares in issue on the deemed exercise of all share options and conversion of all convertible notes outstanding during the period (<i>thousands</i>)	<u>444,971</u>	<u>1,142</u>
	<u>2,024,219</u>	<u>1,578,483</u>
Diluted earnings per share (<i>HK cent</i>)	<u><u>1.44</u></u>	<u><u>2.77</u></u>

7. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2010 (2009: Nil).

8. Reserves

	Attributable to the equity holders of the Company						Total HK\$'000
	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Share option reserve HK\$'000	Convertible notes reserve HK\$'000	Retained earnings HK\$'000	
Balance at 1 July 2009	396,560	702	(274)	4,512	—	61,667	463,167
Total comprehensive income for the period	—	—	354	—	—	43,702	44,056
Issue of new shares	69,000	—	—	—	—	—	69,000
Share issue expenses	(2,039)	—	—	—	—	—	(2,039)
Share options exercised	16,490	—	—	(1,506)	—	—	14,984
Reserves arising from capital injection to non-wholly owned subsidiaries	—	1,025	—	—	—	—	1,025
Balance at 30 September 2009	<u>480,011</u>	<u>1,727</u>	<u>80</u>	<u>3,006</u>	<u>—</u>	<u>105,369</u>	<u>590,193</u>
Balance at 1 July 2010	491,372	2,325	3,905	1,696	300,800	242,306	1,042,404
Total comprehensive income for the period	—	—	6,567	—	—	25,171	31,738
Issue of new shares	148,000	—	—	—	—	—	148,000
Share issue expenses	(1,809)	—	—	—	—	—	(1,809)
Share options exercised	946	—	—	(9)	—	—	937
Balance at 30 September 2010	<u>638,509</u>	<u>2,325</u>	<u>10,472</u>	<u>1,687</u>	<u>300,800</u>	<u>267,477</u>	<u>1,221,270</u>

MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial review

For the three months ended 30 September 2010, the Group recorded a consolidated turnover of approximately HK\$82.4 million, representing a decrease of approximately 54.2% when compared to approximately HK\$179.7 million for the corresponding period in the last financial year.

Other operating expenses amounted to approximately HK\$9.2 million for the three months ended 30 September 2010, representing a decrease of 4.7% when compared to HK\$9.7 million for the three months ended 30 September 2009.

The profit attributable to equity holders of the Company amounted to approximately HK\$25.2 million for the three months ended 30 September 2010, representing a decrease of approximately 42.4% when compared to approximately HK\$43.7 million in the corresponding period in the previous financial year. Basic earnings per share was approximately HK 1.59 cents, representing a decrease of approximately 42.6% when compared to approximately HK 2.77 cents for the corresponding period of the last year.

As at 30 September 2010, the cash and bank balances of the Group amounted to approximately HK\$143.6 million (30 June 2010: HK\$65.4 million). The gearing ratio of the Group, calculated as total borrowings over shareholders' funds, was approximately 0.001 (30 June 2010: 0.03).

On 14 September 2010, the Company, Team Effort Investments Limited ("Team Effort") and DBS Asia Capital Limited (the "Placing Agent") entered into a placing agreement pursuant to which Team Effort has agreed to place, and the Placing Agent has agreed to procure not less than six placees, on a best effort basis, for the purchase of up to 200,000,000 shares of the Company at the placing price of HK\$0.75 per placing shares (the "Placing"). On the same date, the Company and Team Effort entered into a "top-up" subscription agreement pursuant to which Team Effort has agreed to subscribe for such number of subscription shares which is equivalent to the number of shares actually placed under the Placing, being a maximum number of 200,000,000 subscription shares at the subscription price of HK\$0.75 per subscription share (the "Subscription"). Details of these transactions are set out in the Company's announcement dated 14 September 2010. The Placing and the Subscription was completed on 16 September 2010 and 24 September 2010 respectively. A total of 200,000,000 new shares were issued and approximately HK\$148 million was raised for the digital cable television two-way conversion business and the general working capital of the Group.

On 4 December 2009, the Company issued HK\$264,725,020 zero coupon convertible notes (the "Convertible Notes") pursuant to the terms of the sale and purchase agreements dated 19 June 2008 respectively as part of the consideration for the acquisitions of its subsidiaries. The Convertible Notes are convertible at the initial conversion price of HK\$0.34 per share, and upon full conversion a total of 778,603,000 conversion shares will be issued by the Company. The Convertible Notes have not been converted into shares as at 30 September 2010. The non-cash effective interest amounted to approximately HK\$4.0 million has been included in the finance costs.

Business review

The Group continues to put in enormous efforts in developing its principal businesses during the three months ended 30 September 2010. During the quarter under review, the revenues from the wireless digital terrestrial television network equipment integration business dropped significantly, while the revenues from the encrypted integrated circuits and the wireless digital audio products and their respective derived integrated businesses exceeded that of the corresponding period of last year. The Group continues to engage in the new line of business of digital cable television two-way conversion but as it is only at the early start-up phase, no revenue or earning was recorded for the period.

(i) *Wireless digital terrestrial television network equipment integration business*

Approximately HK\$23.7 million (2009: HK\$136.4 million) or 29% (2009: 76%) of the total turnover of the Group in the first quarter ended 30 September 2010 was derived from the construction project of the wireless digital terrestrial television operating platform. The reasons of setback in the demands of the wireless digital terrestrial television network equipment integration in this quarter are as follow.

- The optimisation of transmission station network conducted by our clients affected the sales of terrestrial televisions. As a result, the supplies to Hubei Chutian CTV Company including the peripheral equipments for transmission stations and the sales of terminal set-top box posted a year-on-year decrease, which significantly affected the quarterly profit of the Group.
- The Group reallocated part of its resources to develop the digital cable television market. The cash flow and profit of the Group inevitably came under pressure. Due to the long recoverable period of the trade receivables from Hunan Mobile TV Co., Ltd., the Group took the initiative to temporarily suspend the supplies to Hunan Mobile TV Co., Ltd. during the first quarter in order to mitigate the operational and credit risk of the Group. In addition, the Group is now considering different solutions to extend the cooperation and create synergies with its business partners to further explore the markets of digitalisation of television broadcasting and wireless broadcasting.

(ii) *Digital cable television two-way conversion equipment and service business*

During the first quarter ended 30 September 2010, the Group did not record any turnover in the new two-way conversion business. This new business is now at the early implementation stage. Meanwhile, the Group continues to commit more resources to this profit driver in proactive response to the PRC government's policy, which are not expected to generate strong returns in the start-up period. Having strengthened its efforts of research and development and optimisation on the digital cable television two-way network conversion, the Group reduced the costs and raised the performance-price ratios of products. Material revenues and earnings are only expected to contribute to the Group in 2011.

The Group was invited by the provincial broadcasting television network companies in such provinces as Xinjiang, Shandong and Zhejiang to a program of research and development, design of market technology and product testing. The program has helped build the foundation of the Group's sales performance in the future.

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

The turnover for the three months ended 30 September 2010 generated from the information safety products business and the related technical services amounted to approximately HK\$27.9 million (2009: HK\$20.8 million) or approximately 34% (2009: 12%) of the total turnover. In the respect of the sales of encrypted integrated circuits related products, the Group has developed the environmental control software and successfully applied it to the cooling and energy saving products, which have become the major purchases by China Telecommunications Corporation for its air-conditioners. As the sole agent, the Group expects the sales of the products will generate considerable revenue in the future.

(iv) *Wireless digital audio products business*

The turnover for the three months ended 30 September 2010 generated from the wireless digital audio products business and the related technical services amounted to approximately HK\$30.8 million (2009: HK\$22.6 million) or approximately 37% (2009: 12%) of the total turnover. During the first quarter, the business demand of the Group's overseas customers further expanded resulting from the mounting demand of overseas markets. The Group's market share has been growing correspondingly with the expanding scale of cooperation with the domestic and overseas customers over the past few years. This has provided the Group with an effective protection of high revenue as well as a profit driver in future.

Prospects

While improving the sales and services of the existing wireless digital terrestrial television network equipment integration business, the Group actively leveraged on the opportunity derived from the vigorous development of the "three network convergence" industry by the national and local television broadcasting operators to accommodate the demand of the existing customers and actively explore new markets, so as to increase the market share in respect of the two-way conversion business, develop new products and markets, and create new benefit drivers. Making use of its existing market resources and technological strengths to develop and produce the two-way network products, the Group expects a market expansion by cooperating with companies of international repute.

Capitalising on the existing research and development capability and the resources of development of partners relationship, the Group will continue to provide customers with quality technical services and technology development products which can meet their needs and will generate continually a better profit margin for the Group.

The export market in respect of the wireless short-distance products of the Group has resumed and the number of new projects has increased by two to three folds due to the recovery of the global financial crisis. There will be the purchase orders of new projects in the next quarter, and many enterprises are exploring new profit drivers during the past 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 project of Apple accessories, among others, will become a highlight to the Group's business development. Before the overseas markets were impacted by the economic setback, the Group had planned to explore the domestic market in order to expand the domestic market share. The Groups has so far achieved good results, with increases in both of the market share and sales volume. It will be a good start for the domestic sales market when the mass production for the projects of two PRC-listed companies begins in the next quarter. The Group will endeavour to enter into the new markets of consumer and automotive electronic products in order to introduce a new and rapid profit driver to the Group.

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 2010, the interests and short positions of the Directors, the chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

Name	Position	Capacity	Number of shares	underlying shares (Note)	Approximate percentage of interests in the issued share capital
Mr. Xiao Yan	Chief Executive Officer/ Executive Director	Beneficial owner	—	2,200,000	0.12%
Mr. Feng Yongming	Executive Director	Beneficial owner	—	1,000,000	0.06%
Mr. Wu Fred Fong	Chief Financial Officer	Beneficial owner	1,000,000	4,000,000	0.28%

Note:

The Directors and the chief executive of the Company were granted share options at the exercise price of HK\$0.37 per share on 18 February 2009. The share options would be exercisable during the period from 18 March 2009 to 17 March 2012. These individuals were deemed to be interested in shares of HK\$0.01 each which would fall to be issued upon exercise of their respective share options of the Company under the share option scheme adopted by the Company on 13 March 2003.

Save as disclosed above, at no time during the three months ended 30 September 2010 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and the chief executive 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 2010, 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 and underlying shares of the Company

Name of shareholder	Number or attributable number of shares or underlying shares held	Type of interests	Approximate percentage of interests
Mr. Choi Chung Lam (<i>Note 1</i>)	671,044,706 (L)	Interest in controlled corporation	37.98%
Team Effort Investments Limited (<i>Note 1</i>)	671,044,706 (L)	Interest in controlled corporation	37.98%
Mind Smart Group Limited (<i>Note 1</i>)	469,706,000 (L)	Beneficial owner	26.59%
Mr. Li Haoping (<i>Note 2</i>)	348,151,353 (L)	Interest in controlled corporation	19.71%
Lomond Group Limited (<i>Note 2</i>)	348,151,353 (L)	Interest in controlled corporation	19.71%
Easy Mount Enterprises Limited (<i>Note 2</i>)	308,897,000 (L)	Beneficial owner	17.48%

L: Long Position

Notes:

1. The entire issued share capital of Mind Smart Group Limited is owned as to 85% by Team Effort Investments Limited and 15% by Mr. Lu Xing. Team Effort Investments Limited is wholly owned by Mr. Choi Chung Lam. Team Effort Investments Limited and Mr. Choi Chung Lam are deemed to be interested in the 469,706,000 shares to be issued upon the exercising of the conversion rights attaching to convertible notes. Mr. Choi Chung Lam is also deemed to be interested in the 201,338,706 shares held by Team Effort Investments Limited.
2. The entire issued share capital of Easy Mount Enterprises Limited is owned as to 85% by Lomond Group Limited and 15% by Mr. Ho Wai Jung. Lomond Group Limited is wholly owned by Mr. Li Haoping. Lomond Group Limited and Mr. Li Haoping are deemed to be interested in the 308,897,000 shares to be issued upon the exercising of the conversion rights attaching to convertible notes. Mr. Li Haoping is also deemed to be interested in the 39,254,353 shares held by Lomond Group Limited.

Save as disclosed above, as at 30 September 2010, the Directors or the chief executive of the Company were not aware of any other person (other than the Directors or the chief executive 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 scheme approved by the then sole shareholder of the Company on 13 March 2003 were disclosed in the annual report of the Company for the year ended 30 June 2010. The following shows the outstanding positions of the eligible persons as at 30 September 2010 with respect to their share options granted under the scheme:

Participants	Number of Shares (<i>Note</i>)				As of 30 September 2010	Date of Grant	Exercise period	Subscription Price
	As of 1 July 2010	Exercised during the period	Cancelled during the period	Lapsed during the period				
Eligible persons	10,700,000	—	—	—	10,700,000	18/02/2009	18/03/2009- 17/03/2012	0.37

Note:

Number of shares in the Company over which options granted under the Share Option Scheme are exercisable.

LITIGATION

The Company was served on 20 December 2007 a writ of summons (the “Writ”) whereby Mr. Chan Hak Kim, the plaintiff (the “Plaintiff”) has claimed against Precision Assets Limited, being the first defendant, Mr. Tony Hoo, being the second defendant (the “2nd Defendant”) and the Company, being the third defendant (together referred to the “Defendants”). The Plaintiff claims against the Company under a forbearance agreement which was allegedly made partly orally and partly in writing between the Plaintiff and the 2nd Defendant for and on behalf of the Defendants. The 2nd Defendant was a former executive Director who was appointed on 11 September 2002 and resigned on 5 June 2007.

The Plaintiff claims (the “Claim”) against (1) the Company in the total sum of HK\$5,000,000 by way of two cheques of the Company each being in the amount of HK\$2,500,000 respectively dated 30 June 2007 and 31 October 2007 and which cheques were dishonoured together with interest and cost; and (2) against the Defendants jointly and severally damages in the sum of HK\$25,000,000 and further or in the alternative, the total sum of HK\$5,000,000 due under the afore-mentioned cheques together with interest and costs, given by the 2nd Defendant in his personal capacity out of a bank account which had been by then formally closed by the Company.

The Company has been advised by its legal adviser that the Plaintiff had no grounds for the Claim and the Company filed its defence on 28 March 2008 and witness statement on 30 July 2009. Since then, witness statements had been exchanged and the trial hearing at the high court has been scheduled from 24 November 2010 to 9 December 2010. The Company will keep its shareholders and potential investors informed of any further significant developments.

Save as disclosed above, the Group was not engaged in any litigation or arbitration or claims of material importance which is known to the Directors to be pending or threatened by or against the Group as at 30 September 2010.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or the controlling shareholders of the Company or their associates (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 have 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 of the date, 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 three months ended 30 September 2010. 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 three months ended 30 September 2010.

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 three months ended 30 September 2010.

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

Hong Kong, 12 November 2010

As at the date of this announcement, the Board comprises Mr. Xiao Yan (CEO), Mr. Feng Yongming and Mr. Li Tao 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.