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

(Incorporated in Bermuda with limited liability)
(Stock Code: 8046)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

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* *For identification purposes only*

HIGHLIGHTS

- The Group recorded an unaudited turnover of approximately HK$318.2 million for the six months ended 31 December 2010, representing a slight decrease of approximately 6.5% when compared with that of the same period in 2009. During the second quarter, turnover had picked up significantly to approximately HK$235.8 million reversing the sluggish sales of the first quarter of approximately HK$82.4 million. Overall, both turnover and net profit of the second quarter exceeded that of the corresponding quarter in the previous fiscal year.

- The Group recorded an unaudited profit attributable to the equity holders of the Company of approximately HK$78.8 million for the six months ended 31 December 2010, representing a decrease of approximately 13.2% when compared with that of the same period in 2009. The profit attributable to the equity holders of the Company amounted to approximately HK$53.6 million for the current three-month period ended 31 December 2010, representing an increase of approximately 112.7% compared to approximately HK$25.2 million in the previous quarter.

- Basic earnings per share of the Company was approximately HK4.58 cents for the six months ended 31 December 2010, representing a decrease of approximately 25.3% when compared to HK6.13 cents of the same period in 2009.

- The Board does not recommend the payment of an interim dividend for the six months ended 31 December 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 and six months ended 31 December 2010 together with the comparative unaudited figures for the corresponding periods in 2009.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 31 December		Six months ended 31 December	
		2010	2009	**2010**	2009
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Turnover	*3*	**235,787**	160,640	**318,164**	340,350
Cost of sales		**(162,232)**	(94,184)	**(204,017)**	(215,171)
Gross profit		**73,555**	66,456	**114,147**	125,179
Other income	*3*	**6,559**	266	**8,056**	546
Selling and marketing expenses		**(1,242)**	(1,486)	**(2,449)**	(2,364)
Other operating expenses		**(11,375)**	(10,988)	**(20,611)**	(20,679)
Profit from operations		**67,497**	54,248	**99,143**	102,682
Finance costs	*4*	**(4,437)**	(3,336)	**(8,862)**	(3,759)
Profit before taxation	*5*	**63,060**	50,912	**90,281**	98,923
Taxation	*6*	**(6,837)**	—	**(6,837)**	(853)
Profit for the period		**56,223**	50,912	**83,444**	98,070
Other comprehensive income:					
Exchange differences on translating foreign operations		**10,777**	181	**17,344**	565
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**67,000**	51,093	**100,788**	98,635

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

	Note	Three months ended 31 December		Six months ended 31 December	
		2010	2009	**2010**	2009
		(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Profit attributable to:					
Equity holders of the Company		**53,612**	47,068	**78,783**	90,770
Non-controlling interests		**2,611**	3,844	**4,661**	7,300
		56,223	50,912	**83,444**	98,070
Total comprehensive income attributable to:					
Equity holders of the Company		**63,830**	47,240	**95,159**	91,307
Non-controlling interests		**3,170**	3,853	**5,629**	7,328
		67,000	51,093	**100,788**	98,635
Earnings per share (expressed in HK cent)	*7*				
— basic		**2.88**	3.07	**4.58**	6.13
— diluted		**2.36**	3.05	**3.85**	6.09
Dividends	*8*	**—**	—	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2010 (Unaudited) HK$'000	As at 30 June 2010 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	9	**99,236**	7,187
Goodwill	10	**823,371**	753,146
Intangible assets	11	**42,466**	34,107
Trade receivables	12	**289,211**	227,804
		1,254,284	1,022,244
Current assets			
Inventories		**9,985**	2,889
Trade receivables	12	**466,535**	452,126
Prepayment, deposits and other receivables		**133,195**	29,348
Amount due from a related company		**—**	1,993
Pledged bank deposits		**71,489**	—
Cash at bank and in hand		**383,410**	65,401
		1,064,614	551,757
Current liabilities			
Trade payables	13	**213,439**	223,689
Other payables and accruals		**151,025**	38,173
Obligation under finance lease		**360**	345
Short term bank loan		**59,035**	—
Loan from a shareholder		**—**	30,000
Tax payables		**33,323**	14,329
		457,182	306,536
Net current assets		**607,432**	245,221
Total assets less current liabilities		**1,861,716**	1,267,465
Non-current liabilities			
Obligation under finance lease		**703**	886
Deferred tax liabilities		**2,267**	2,267
Convertible notes	14	**257,480**	176,694
		260,450	179,847
NET ASSETS		**1,601,266**	1,087,618
Capital and reserves			
Share capital	15	**24,804**	15,639
Reserves		**1,576,129**	1,042,404
Equity attributable to equity holders of the Company		**1,600,933**	1,058,043
Non-controlling interests		**333**	29,575
TOTAL EQUITY		**1,601,266**	1,087,618

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Attributable to the equity holders of the Company									
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Capital reserve** *HK$'000*	**Exchange fluctuation reserve** *HK$'000*	**Share options reserve** *HK$'000*	**Convertible notes reserve** *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 July 2009	13,857	396,560	702	(274)	4,512	—	61,667	477,024	9,429	486,453
Issue of new shares	1,474	69,000	—	—	—	—	—	70,474	—	70,474
Issue of convertible notes	—	—	—	—	—	300,800	—	300,800	—	300,800
Recognition of share-based payments	—	—	—	—	650	—	—	650	—	650
Share options exercised	—	16,490	—	—	(1,506)	—	—	14,984	—	14,984
Share issue expenses	—	(2,039)	—	—	—	—	—	(2,039)	—	(2,039)
Reserves arising from capital injection to a non-wholly owned subsidiary	—	—	1,025	—	—	—	—	1,025	4,977	6,002
Total Comprehension income for the six months ended 31 December 2009	—	—	—	537	—	—	90,770	91,307	7,328	98,635
Balance at 31 December 2009	15,331	480,011	1,727	263	3,656	300,800	152,437	954,225	21,734	975,959
Balance at 1 July 2010	15,639	491,372	2,325	3,905	1,696	300,800	242,306	1,058,043	29,575	1,087,618
Issue of new shares	2,781	252,315	—	—	—	—	—	255,096	(34,871)	220,225
Issue of convertible notes	—	—	—	—	—	14,917	—	14,917	—	14,917
Conversion of convertible notes	4,854	288,059	—	—	—	(181,463)	—	111,450	—	111,450
Bonus issue of shares as final dividend	610	(610)	—	—	—	—	—	—	—	—
Share options exercised	920	66,365	—	—	(845)	—	—	66,440	—	66,440
Share issue expenses	—	(1,809)	—	—	—	—	—	(1,809)	—	(1,809)
Recognition of share-based payments	—	—	—	—	669	—	—	669	—	669
Total comprehensive income for the six months ended 31 December 2010	—	—	—	17,344	—	—	78,783	96,127	5,629	101,756
Balance at 31 December 2010	**24,804**	**1,095,692**	**2,325**	**21,249**	**1,520**	**134,254**	**321,089**	**1,600,933**	**333**	**1,601,266**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December	
	2010	2009
	Unaudited	Unaudited
	HK$'000	*HK$'000*
Net cash from/(used in) operating activities	**29,952**	(81,558)
Net cash used in investing activities	**(168,532)**	(17,415)
Net cash from financing activities	**441,346**	86,772
Net increase/(decrease) in cash and cash equivalents	**302,766**	(12,201)
Cash and cash equivalents at 1 July	**65,401**	92,410
Effect of foreign exchange rate changes	**15,243**	503
Cash and cash equivalents at 31 December	**383,410**	80,712
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	**383,410**	80,712

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 financial statements for the six months ended 31 December 2010 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and comply with the applicable disclosure provisions of the GEM Listing Rules.

The unaudited consolidated financial statements have been prepared on the historical cost basis except for the financial instruments, which are measured at fair value. The accounting policies and methods of computation used in the preparation of the unaudited consolidated financial statements are consistent with those used in the annual financial statements for the year ended 30 June 2010. These unaudited consolidated financial statements 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 financial statements have not been audited by the auditors of the Company, but have been reviewed by the Company's audit committee.

3. TURNOVER, REVENUE AND SEGMENT INFORMATION

Turnover and revenue recognised by category during the three and six months ended 31 December 2010 are as follows:

	Three months ended 31 December		Six months ended 31 December	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Turnover				
Wireless digital terrestrial television network equipment integration business	**103,424**	69,075	**127,120**	205,429
Encrypted integrated circuits and the derived integrated business	**51,827**	56,107	**79,705**	76,894
Wireless digital audio products business	**80,536**	35,458	**111,339**	58,027
	235,787	160,640	**318,164**	340,350
Other income				
Bank interest income	**31**	16	**77**	22
Other interest income	**—**	43	**—**	206
Sundry income	**5,817**	207	**7,268**	318
Realised gain on trading of listed securities	**711**	—	**711**	—
	6,559	266	**8,056**	546

The segment results for the six months ended 31 December 2010 are as follows:

	Wireless digital terrestrial television network equipment integration	**Encrypted integrated circuits**	**Wireless digital audio integrated circuits**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue				
Segment turnover from external customers	**127,120**	**79,705**	**111,339**	**318,164**
Segment results	**24,651**	**64,398**	**15,752**	**104,801**
Unallocated income				**8,056**
Unallocated expenses				**(13,714)**
Profit from operations				**99,143**
Finance costs				**(8,862)**
Profit before taxation				**90,281**
Taxation				**(6,837)**
Profit for the six months ended 31 December 2010				**83,444**

The segment results for the six months ended 31 December 2009 are as follows:

	Wireless digital terrestrial television network equipment integration *HK$'000* (Unaudited)	Encrypted integrated circuits *HK$'000* (Unaudited)	Wireless digital audio integrated circuits *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Revenue				
Segment turnover from external customers	205,429	76,894	58,027	340,350
Segment results	47,946	58,823	7,810	114,579
Unallocated income				546
Unallocated expenses				(12,443)
Profit from operations				102,682
Finance costs				(3,759)
Profit before taxation				98,923
Taxation				(853)
Profit for the six months ended 31 December 2009				98,070

4. FINANCE COSTS

	Three months ended 31 December		**Six months ended 31 December**	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Effective interest expenses on convertible notes *(note 14)*	**4,106**	2,933	**8,153**	2,933
Interest element of finance leases	**22**	—	**46**	—
Interest on loan from a shareholder	**—**	397	**354**	794
Interest on bank loans	**309**	6	**309**	32
	4,437	3,336	**8,862**	3,759

5. PROFIT BEFORE TAXATION

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

	Three months ended 31 December		Six months ended 31 December	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Cost of inventories sold	**163,270**	92,919	**201,468**	213,248
Depreciation	**429**	427	**1,053**	821
Loss on disposal of property, plant and equipment	**4**	—	**4**	—
Operating lease charges				
— equipments and motor vehicles	**180**	—	**586**	—
— office premises	**882**	610	**1,797**	1,560
— staff quarter	**141**	—	**261**	—
Research and development costs	**1,330**	854	**1,901**	1,849
Staff costs (including Directors' remuneration)				
— salaries and allowances	**3,762**	3,224	**7,028**	5,715
— pension scheme contributions	**15**	11	**29**	20

6. TAXATION

	Three months ended 31 December		Six months ended 31 December	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Current tax:				
Hong Kong				
— charge for the period	**—**	—	**—**	310
Overseas				
— charge for the period	**6,837**	—	**6,837**	543
	6,837	—	**6,837**	853

The provision for Hong Kong profits tax for the six months ended 31 December 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the period.

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"), wholly 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.

7. 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 31 December		**Six months ended 31 December**	
	2010	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit attributable to the equity holders of the Company (HK$'000)	**53,612**	47,068	**78,783**	90,770
Weighted average number of ordinary shares in issue (thousands)	**1,863,045**	1,533,083	**1,721,146**	1,481,512
Basic earnings per share (HK cent)	**2.88**	3.07	**4.58**	6.13

(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 conversion of all convertible notes and exercise of all share options outstanding during the period.

	Three months ended 31 December		**Six months ended 31 December**	
	2010	2009	**2010**	2009
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Profit attributable to the equity holders of the Company (HK$'000)	**53,612**	47,068	**78,783**	90,770
Effective interest expenses on convertible notes	**4,106**	—	**8,153**	—
Adjusted profit attributable to the equity holders of the Company (HK$'000)	**57,718**	47,068	**86,936**	90,770
Weighted average number of ordinary shares in issue (thousands)	**1,863,045**	1,533,083	**1,721,146**	1,481,512
Weighted average number of ordinary shares in issue on the deemed conversion of all convertible notes and exercise of all share options outstanding during the period (thousands)	**584,232**	7,651	**535,521**	8,156
	2,447,277	1,540,734	**2,256,667**	1,489,668
Diluted earnings per share (HK cent)	**2.36**	3.05	**3.85**	6.09

8. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2010 (2009: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

	31 December 2010 *HK$'000* **(Unaudited)**	30 June 2010 *HK$'000* (Audited)
Opening net book amount	**7,187**	1,926
Additions	**91,305**	7,049
Disposals/write off	**(65)**	—
Depreciation	**(1,053)**	(1,831)
Exchange realignment	**1,862**	43
Closing net book amount	**99,236**	7,187

10. GOODWILL

	31 December 2010 *HK$'000* **(Unaudited)**	30 June 2010 *HK$'000* (Audited)
Opening net book amount	**753,146**	284,846
Acquisition of subsidiaries	**—**	468,300
Acquisition of remaining interest in a non wholly-owned subsidiary *(Note below)*	**70,225**	—
Closing net book amount	**823,371**	753,146

Note:

Pursuant to the announcement of the Company dated 7 December 2010, a sale and purchase agreement dated 7 December 2010 was entered into among the Company, Star Hub Investments Limited as purchaser and Wealtheme Limited and Mr. Li Haoping as vendor to acquire the remaining 7% equity interest of Beijing Jinqiao Group at a total consideration of approximately HK$105.1 million (the "Acquisition"). The consideration was satisfied by the issue of 78,138,443 ordinary shares of the Company at the price of HK$1.345 per share. The Acquisition was completed on 30 December 2010. Details are set out in the announcements of the Company dated 7 December 2010 and 30 December 2010.

11. INTANGIBLE ASSETS

	31 December 2010 *HK$'000* **(Unaudited)**	30 June 2010 *HK$'000* (Audited)
Technology fee and development costs		
Opening net book amount	**34,107**	18,415
Additions	**7,210**	18,188
Impairment	**—**	(2,790)
Exchange realignment	**1,149**	294
Closing net book amount	**42,466**	34,107

12. TRADE RECEIVABLES

The Group's credit terms are negotiated at terms determined and agreed with its customers.

	31 December 2010 *HK$'000* **(Unaudited)**	30 June 2010 *HK$'000* (Audited)
Trade receivables due from related parties *(Note 16(i))*	**—**	1,230
Other trade receivables	**755,746**	678,700
	755,746	679,930
Less: portion classified as current assets	**(466,535)**	(452,126)
Non-current portion	**289,211**	227,804

The ageing analysis of the trade receivables is as follows:

	31 December 2010 *HK$'000* **(Unaudited)**	30 June 2010 *HK$'000* (Audited)
0 — 30 days	**226,448**	203,795
31 — 90 days	**134,806**	19,150
91 — 180 days	**123,118**	83,641
Over 180 days	**271,374**	373,344
	755,746	679,930

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

	31 December 2010 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Audited)
0 — 30 days	—	68,728
31 — 90 days	—	11,153
91 — 180 days	13,458	6,016
Over 180 days	465	15,957
	13,923	101,854

13. TRADE PAYABLES

	31 December 2010 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Audited)
Trade payables due to related parties *(note 16(i))*	—	17,471
Other trade payables	213,439	206,218
	213,439	223,689

The ageing analysis of the trade payables is as follow:

	31 December 2010 HK$'000 (Unaudited)	30 June 2010 HK$'000 (Audited)
0 — 30 days	66,827	145,688
31 — 90 days	73,848	507
91 — 180 days	61,865	314
Over 180 days	10,899	77,180
	213,439	223,689

14. CONVERTIBLE NOTES

(a) Convertible notes with an aggregate amount of HK$264,725,020 issued on 4 December 2009

On 4 December 2009, an aggregate of HK$264,725,020 principal amount of redeemable convertible notes were issued upon fulfillment of the fourth payment condition of the "Jinqiao Acquisition" and "Maxium Acquisition". Further details are set out in the Company's announcement dated 4 December 2009.

The notes carry zero coupon and convertible into ordinary shares of the Company at an initial conversion price of HK$0.34 per conversion share (subject to pro-rata adjustments on capital structure changes) at any time during the period commencing from the date of issue of convertible notes. Unless previously converted, lapsed or redeemed by the Company, any outstanding convertible notes shall be redeemed on the fifth anniversary of the issue date of the convertible notes.

The fair value of the liability component, included in the convertible notes, was calculated using a market interest rate for an equivalent non-convertible note. The fair value of the equity conversion component, which is included in shareholders' equity in convertible notes reserve, was valued by the Black-Scholes-Merton option pricing model. Interest expenses on the convertible notes issued are calculated using the effective interest method by applying the effective interest rate of approximately 9.59% to the liability components.

On 30 December 2010, an aggregate of HK$159,700,040 principal amount of convertible notes was converted into 485,410,455 ordinary shares of the Company at the adjusted conversion price of HK$0.329 per conversion share. As at 31 December 2010, the outstanding principal amount of such convertible notes was HK$105,024,980.

(b) Convertible notes with an aggregate amount of HK$200,000,000 issued on 28 December 2010

On 28 December 2010, an aggregate of HK$200,000,000 principal amount of redeemable convertible notes were issued to Sandmartin International Holdings Limited. Further details are set out in the Company's announcement dated 17 December 2010.

The notes carry zero coupon and convertible into ordinary shares of the Company at an initial conversion price of HK$2.00 per conversion share (subject to pro-rata adjustments on capital structure changes) at any time during the period commencing from the date immediately after the expiry of six months from the date of issue of convertible notes. Unless previously converted, lapsed or redeemed by the Company, any outstanding convertible notes shall be redeemed on the second anniversary of the issue date of the convertible notes.

The fair value of the liability component, included in the convertible notes, was calculated using a market interest rate for an equivalent non-convertible note. The fair value of the equity conversion component, which is included in shareholders' equity in convertible notes reserve, was valued by the Black-Scholes-Merton option pricing model. Interest expenses on the convertible notes issued are calculated using the effective interest method by applying the effective interest rate of approximately 4.234% to the liability components.

The liability component of the convertible notes recognised under non-current liabilities of the balance sheet are calculated as follows:

	HK$'000 (Unaudited)
At 1 July 2010	176,694
Issuance of notes by the Company	184,083
Effective interest expenses for the period	8,153
Conversion to shares of the Company	(111,450)
At 31 December 2010	257,480

15. SHARE CAPITAL

	Number of shares '000	HK$'000
Ordinary shares of HK$0.01 each		
Authorised		
At 30 June 2010 and 31 December 2010	10,000,000	100,000
Issued and fully paid		
At 30 June 2010	1,563,903	15,639
Issue of shares upon Placing *(Note (i))*	200,000	2,000
Issue of shares upon exercise of share options *(Note (ii) & (iii))*	92,000	920
Issue of bonus shares *(Note (iv))*	60,923	610
Issue of shares upon conversion of convertible notes *(Note 14(a))*	485,410	4,854
Issue of shares for the acquisition of remaining shares in a non wholly-owned subsidiary *(Note 10)*	78,139	781
As at 31 December 2010	2,480,375	24,804

Note:

(i) 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 ("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 general working capital of the Company and its subsidiaries.

(ii) On 10 November 2009, the Company and Crescent Investment Holding Co., Ltd. (the "Consultant") entered into a Marketing Service Agreement pursuant to which the Company engaged the Consultant for a year from the date of the Marketing Services Agreement to provide various marketing and introduction services advice and guidance to support the Group's business expansion and development in the PRC. For a nominal consideration of HK$10, the Company has granted to the Consultant an option to subscribe for 90,000,000 ordinary shares of the Company at the exercise price of HK$0.73 per option share. The option is exercisable at any time during the period of one year from the date of the Marketing Service Agreement. During the period, 90,000,000 ordinary shares of the Company was issued at the exercise of all the options granted to the Consultant. Details of this transaction are set out in the Company's announcement dated 10 November 2009.

(iii) During the period, 2,000,000 ordinary shares of the Company was issued at the price of HK$0.37 per share upon the exercise of share option granted pursuant to the employee share option scheme adopted on 13 March 2003.

(iv) As a result of the ordinary resolution resolved at the annual general meeting of the Company on 9 November 2010, bonus issue of share of one new share for every thirty existing shares held by the shareholders at the record date was issued to the shareholders as final dividend for the financial year ended 30 June 2010. A total of 60,923,427 ordinary shares was issued as bonus shares. Details of the bonus issue are set out in the Company's circular dated 11 October 2010.

16. RELATED PARTY TRANSACTIONS

(i) The Group has carried out the following transactions with related parties:

	Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales of goods/services to Beijing Hengtai Technologies Co., Ltd.	**4,392**	100
Purchase of goods/services from Beijing Hengtai Technologies Co., Ltd.	**36,911**	141,515

Note:

Prior to the Group acquired the remaining 7% equity interest in Beijing Jinqiao Hengtai Technology Company Limited and its subsidiary ("Beijing Jinqiao Group"), Beijing Hengtai Technologies Co., Ltd. holds 7% equity interest of Beijing Jinqiao Group.

The Directors are of the opinion that the above transactions were carried out in the ordinary course of the Group's business based on normal commercial terms.

(ii) Compensation of key management personnel of the Group:

	Six months ended 31 December	
	2010	2009
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Short term employee benefits	**2,612**	2,233
Post-employment benefits contribution plans	**12**	8
	2,624	2,241

MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial review

For the six months ended 31 December 2010, the Group recorded a consolidated turnover of approximately HK$318.2 million, representing a decrease of approximately 6.5% when compared to approximately HK$340.4 million for the corresponding period in the last financial year. Turnover for the three months ended 31 December 2010 amounted to approximately HK$235.8 million, representing a significant increase of approximately 186.2% when compared to HK$82.4 million of the preceding quarter. This increase generally reflected major progress made in business development by the Group in a number of areas as explained below and the ability of the Group to recover temporary sales drops in the preceding quarter.

Gross profit margin of the Group for the period was approximately 35.9%, a drop of about 1% from the corresponding period of last year. Due to the nature of the Group's turnover mix and the different stages projects are being implemented from time to time, the profit margin of the Group may fluctuate.

Other operating expenses amounted to approximately HK$20.6 million for the six months ended 31 December 2010, representing a slight decrease of 0.3% when compared to HK$20.7 million for the six months ended 31 December 2009.

Finance costs amounted to approximately HK$8.9 million, of which approximately HK$8.2 million represents effective non-cash interest expenses on convertible notes issued by the Company in December 2009 and December 2010 respectively.

The profit attributable to the equity holders of the Company amounted to approximately HK$78.8 million for the six months ended 31 December 2010, representing a decrease of approximately 13.2% compared to approximately HK$90.8 million in the corresponding period in the previous financial year. The profit attributable to the equity holders of the Company amounted to approximately HK$53.6 million for the current three-month period ended 31 December 2010, representing an increase of approximately 112.7% compared to approximately HK$25.2 million in the previous quarter.

Basic earnings per share for the six months ended 31 December 2010 was approximately HK4.58 cents, representing a decrease of approximately 25.3% compared to HK6.13 cents for the corresponding period of the last year.

During the period, to position the Group for continued business expansion particularly in the digital cable television two-way conversion business segment, the Company placed 200 million shares at HK$0.75 per share in September 2010 and issued a zero coupon convertible bond with principal amount of $200 million. The Company also entered into an agreement in December 2010 in relation to an equity line of credit for up to HK$400 million (subject to the approval of the shareholders of the Company). Two of the Group's subsidiaries had applied for increase in its registered capital and approval from the PRC authority is expected soon.

Business review

During the second quarter, turnover had picked up significantly to approximately HK$235.8 million reversing the sluggish sales of the first quarter. Overall, both turnover and net profit of the second quarter exceeded that of the corresponding quarter in the previous fiscal year. On a quarter-on-quarter basis, the increases in turnover of HK$153.4 million or 186.2% and gross profit of HK$56.2 million or 106.5% were even more noticeable demonstrating the Group's resilience to recovering from the sales drop that took place in the first quarter. The increases generally reflected major progress made in business development by the Group in a number of areas including, in particular, the Group's breakthrough into the digital cable TV operational cooperation businesses in Jiangxi, Anhui and more recently in Hebei provinces. Nevertheless, when the six-month results are compared, the relative poor showings in the first quarter adversely affected the Group's performance. For the period under review, turnover dropped approximately 6.5% and profit for the period was lower by approximately 14.9% when compared to the corresponding period of the previous year.

In keeping with the quest for longer term sustainable turnover and profits, the Group took time and effort to build a more diversified revenue base with an increased focus in generating recurring operational revenue. This necessitated the Group to re-position and allocate more resources to focus on starting up of such operations for the long term good repositioning process which affects immediate revenue recognition. Moreover, it will be evident that more recurring and operational type of revenues will be achieved in the years to come.

(i) Wireless digital terrestrial TV network equipment integration business

Revenue from the wireless digital terrestrial TV network equipment integration business fell to approximately HK$127.1 million or about 40% of the overall turnover of the Group in the six months ended 31 December 2010. The lower first quarter revenues was mainly due to the optimization of the wireless digital terrestrial TV transmission station network conducted by client TV stations in Hunan and Hubei which affected the equipment and set-up-box delivery schedules then.

During the second quarter, equipment and set-up-box sales to Hunan and Hubei provinces also recovered from that of the first quarter. In any event, with business co-operations in Jiangxi, Anhui and Hebei, there would be a proportionate reduced reliance of the Group on the equipment and construction oriented sales mix, gradually shifting to the operational and recurring revenue sources derived from the business co-operations with the TV operators in various provinces.

The receivables situation particularly from the Hunan project had also improved significantly as the longer dated receivables had been collected. This drastically improved the Group's working capital position and would in turn support the Group to achieve an accelerated level of business expansion.

During the period, the Board made the decision to acquire the remaining indirect 7% interest in Beijing Jinqiao at a historical price-to-earnings ratio of approximately 8.0 times. Beijing Jinqiao's profit in the past two years had been highly satisfactory. The acquisition was completed on 30 December 2010 and Beijing Jinqiao had since become a wholly-owned subsidiary of the Group.

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

During the period under review, the Group continued to progress with the business development and implementation not only in the wireless digital terrestrial TV network equipment integration business, but also gained breakthrough entrance to the digital cable TV operational and value added business. Riding on the three network integration policy in China, over HK$25 million operational revenues started to come as a result of the newly established business co-operation in Hebei for digital cable TV operational and value added business. This included the share of operational revenues from the first 100,000 subscribers in the Hebei project. The two-way digital cable TV network conversion projects in Anhui also progressed satisfactorily with completion of the two-way conversion of interactive subscribers' network in four pilot cities covering 100,000 subscribers, and capture 20,000 broadband end-users and 7,000 interactive TV subscribers. Although the revenue contribution was still relatively small at this stage, but the sustainable impact to the Group's future operational earnings would be significant.

(iii) Information safety products business

The turnover for the six months ended 31 December 2010 generated from the information safety products business and the related technical services amounted to approximately HK$79.7 million representing approximately 25% of the total turnover and essentially holding its ground when compared to the corresponding period of last year.

To seize the opportunity brought about by the integration of the three networks policy, the Group not only put great efforts in the development of products and services for the wireless TV market, but also focused on the research and development and sales of products for the cable TV market. It has developed, among others, the cable TV two-way upgrade products (MoCA and EPON) with free intellectual property rights. The products were sold in Yichang, Sichuan, Zhejiang. Leveraging on the Group's resources in marketing network and its core technology, cooperation initiatives with international known enterprises were made to explore new market opportunity.

Taking advantages of the existing technology of the Group with integration of the technology resources from other parties, the Group entered into sale contracts for Ministry of Health's project for the provision of medical services to the rural areas in the second quarter. Products include audio and video diagnosis terminals for medical use, PIN management products, digitization equipment for medical data, human medical data collector. The project has started to contribute to the Group's revenue and profit for this period.

The Group had strengthened its sales to the government and successfully completed the first contract for large amount purchase by Beijing University of Technology in the short period of time for software products, IP core, data collection products, simulators for research and development. The profit margin of those products was as high as 45%. New hardware and software products were developed for environmental control and energy efficient applications.

(iv) Wireless digital audio products business

The turnover for the six months ended 31 December 2010 generated from the wireless digital audio product business and the related technical services amounted to approximately HK$111.3 million or approximately 35% of the total turnover. Revenues from this segment increased as a proportion to the total turnover as a result of increased sales from both domestic and overseas customers in this segment as demand in China continued to increase and the overseas market recovered.

During the second quarter, further increase in domestic demand was evident and new orders were being negotiated with major enterprises. These new orders will further diversify the list of products offered by the Group and demonstrate its superior application ability of its technology to meet a variety of customer needs. More earnings contribution would be enjoyed by the Group starting from the second half of this year.

With further recovery of the global economy, the segment's overseas business operation also experienced a rebound and both the new projects from the clients and sales orders also increased. All of its customers have confidence in the prospects of the wireless product market and accelerate the progress of their projects, which are undergoing a fast pace. All of the overseas customers are speeding up the research and development of their new projects in 2010 while some of the suspended projects have also been restarted. The number of customers in the export segment has been significantly increased.

Prospects

With the implementation of integration of the telecommunication network, broadcasting TV network and internet, it is estimated that the scale of national investment will reach 60 billion by the end of 2015. The migration to digitization of TV broadcasting and the three networks integration created an excellent environment for the Group to prosper. The Group will continue to strengthen its lead position in the wireless digital TV network integration businesses and will leverage its know-how and technology to increase its focus in business co-operation with TV operators in digital cable TV network upgrade, two-way conversion and value added services.

In the coming months, the Group will continue to increase its business development efforts in Jiangxi, Anhui and Hebei. The two-way conversion in four pilot cities in the Anhui province is expected to be completed in mid year 2011. The Group's ability to partner with several of the provincial cable TV operators will further reinforce its market status. Since more than a year ago, The Group had previously indicated it would be able to enter into agreements with provincial TV operators. The conclusion of 2010 calendar year witnessed what has been happening. It is further believed that in the year ahead, a few more TV operators would wish to enter into co-operative arrangements with the Group for mutual benefits. With the roll out of the existing provinces, the Group would be able to capture a critical subscriber mass for revenue sharing. Addition of other provincial operator for business cooperation will further elevate the Group's competitive advantage. Increase subscriber base, a fuller menu of value added services would lift the ARPU and bring more sustainable revenue and profits to the Group in the long run.

In addition, the Group continues to identify new business opportunity for all its major business segments. In the area of wireless audio telecommunications and software services, the Group had continued its marketing development plan in China. Market share and revenues had been increasing through penetration into different industries. It is believed that export sales will also increase at a faster pace following the improved economic outlook particularly in the U.S. The Group will seize opportunity to target its supply of products and services to foreign and domestic major corporations.

The integration of the three networks will force the broadcasting operators to accelerate their inter-regional integration, to upgrade their networks and to operate in a more market oriented way. Demand for technical products, software and other services will increase. Building on its strength, the Group will continue with its research and development efforts; to remain competitive and cost effective; and to aggressively refine and apply its self developed intellectual property and know-how for value creation and to meet the increased market demand as a result of the transformation.

The Group will also draw on its existing advantages in technology and social resources to develop markets in other areas. At present, auto electronics, telecommunication and energy saving and emission reduction control products and software have been developed for application therein. Government/group procurement business had been investigated into by the Group. Currently, negotiations with these customers are under way. The business potential would be significant if co-operation with even some of these parties could materialise.

The improved liquidity in the capital market and interests in investments in the Asian region may support the Group's further development. The Group is currently not under pressure to raise funds after two successful fund raising exercises in the last four months. The Group is in a lead position in the digital TV network integration and services arena. If the conditions are to the Group's favour, financial leverage utilizing low cost funding from the capital market will further enhance the profitability of the Group or allow the Group to take a more aggressive positioning to capture a larger share of the market.

Liquidity and Financial Resources

As at 31 December 2010, the cash and bank balances of the Group amounted to approximately HK$383.4 million (30 June 2010: 65.4 million). The Renminbi denominated balances of HK$146.4 million were placed with licensed banks in the PRC and the conversion of these balances into foreign currencies is subject to the rules and regulation of foreign exchange control promulgated by the PRC government.

During the six months ended 31 December 2010, the Group has net cash inflow from its operating activities and financing activities of approximately HK$29.9 million and HK$441.3 million respectively and cash outflow of approximately HK$168.5 million from investing activities.

As at 31 December 2010, the gearing ratio of the Group, calculated as total borrowings over shareholders' funds, was approximately 0.04 (30 June 2010: 0.03).

Exposure to fluctuations in exchange rates and related hedges

The Company's revenues and expenses are primarily transacted in Hong Kong dollar and Renminbi. As at 31 December 2010, the Group has no outstanding foreign currency hedge contract.

Charge on Group Assets

As at 31 December 2010, the Group has pledged bank deposit of approximately HK$71.5 million to secure the bank borrowings of approximately HK$59 million.

Contingent liabilities

Apart from the actions against the Company disclosed in the "Litigation" section of this announcement, there were no other material outstanding writs and litigations against the Group and/or the Company.

Capital Structure

During the six months ended 31 December 2010, an aggregate of 916,472,325 new shares were issued by the Company, of which 200,000,000 from share placements, 60,923,427 from bonus issue as dividend, 92,000,000 from exercise of share options, 78,138,443 as consideration shares for the acquisition of remaining 7% in Beijing Jinqiao Group and 485,410,455 from conversion of convertible notes.

Acquisition/Disposal and Significant Investments

Apart from the acquisition of the remaining 7% equity interest in the Beijing Jinqiao Group completed on 30 December 2010, the Group had no material acquisition or disposal of subsidiaries during the six months ended 31 December 2010. Details of the acquisition are set out in the announcement of the Company dated 7 December 2010.

Employee Information

As at 31 December 2010, the Group employed a total of 144 (30 June 2009: 83) full-time employees. The Group's remuneration policy remained the same as detailed in the Annual Report for the year ended 30 June 2010.

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

As at 31 December 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	Number of Underlying shares *(Note 1)*	Approximate percentage of interests in the issued share capital
Mr. Xiao Yan	Chief Executive Officer/ Executive Director	Beneficial owner	—	2,273,334	0.09%
Mr. Feng Yongming	Executive Director	Beneficial owner	—	1,033,333 *(Note 2)*	0.04%
Mr. Wu Fred Fong	Chief Financial Officer	Beneficial owner	1,033,333	4,133,333	0.21%

Note:

(1) The Directors and the chief executives of the Company were granted share options at the exercise price of HK$0.358 per share (as adjusted) on 18 February 2009. The share options would be exercisable during the period from 18 March 2009 to 17 October 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.

(2) The share option has been exercised subsequent to the period ended 31 December 2010.

Save as disclosed above, at no time during the six months ended 31 December 2010 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executives of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 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 of the Company

Name of shareholder	Number or attributable number of shares or underlying shares held	Type of interests	Approximate percentage of interests
Choi Chung Lam *(Note 1)*	620,690,451 (L)	Interest in controlled corporation	25.00%
Team Effort Investments Limited *(Note 1)*	620,690,451 (L)	Interest in controlled corporation	25.00%
Li Haoping *(Note 2)*	436,527,306 (L)	Interest in controlled corporation	17.60%
Lomond Group Limited *(Note 2)*	358,388,863 (L)	Interest in controlled corporation	14.45%
Easy Mount Enterprises Limited *(Note 2)*	319,224,863 (L)	Beneficial owner	12.87%

L: Long Position

Notes:

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

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 319,224,863 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 39,164,000 shares held by Lomond Group Limited and 78,138,443 shares held by Wealtheme Limited. Both Lomond Group Limited and Wealtheme Limited are wholly owned by Mr. Li Haoping.

Save as disclosed above, as at 31 December 2010, the Directors or chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company under Section 336 of the SFO.

EMPLOYEE SHARE OPTION SCHEME

Details of the employee share option scheme ("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 31 December 2010 with respect to their share options granted under the scheme:

	Number of Shares (Note)								
Participants	As of 1 July 2010	Exercised during the period	Cancelled during the period	Lapsed during the period	Adjusted after bonus issue	As of 31 December 2010	Date of grant	Exercise period	Adjusted subscription price
Eligible persons	10,700,000	2,000,000	—	—	290,000	8,990,000	18/02/2009	18/03/2009-17/03/2012	HK$0.358

Note:

Number of shares in the Company over which options granted under the Share Option Scheme is 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") is claiming 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 called 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. Mr. Tony Hoo 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 together with interest and cost 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 given to the Plaintiff by the 2nd Defendant which were dishonoured due to account close; 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.

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. The trial hearing took place on 24 November 2010 and attempts have been made by the parties subsequently for a global settlement between the parties. However, despite prolonged negotiation between the Plaintiff and the 2nd Defendant, the parties failed to reach a settlement. The hearing for directions is fixed on 14 February 2011 before the Court. The Company's legal adviser's opinion is that the Company is not liable to the claim of the Plaintiff. The only contention is which party shall bear the costs of the Company in the High Court Action, and in what amount. The Company will keep the shareholders of the Company 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 31 December 2010.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

AUDIT COMMITTEE

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

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

CORPORATE GOVERNANCE REPORT

Throughout the six months ended 31 December 2010, the Group has applied the principles set out in the Code on Corporate Governance Practices ("HKSE Code") contained in Appendix 15 of the GEM Listing Rules except the code provisions A2.1 and A4.1 stipulated in the following paragraph.

Distinctive Roles of Chairman and Chief Executive Officer

The code provision A2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its Code of Conduct for Securities Transactions by Directors throughout the six months ended 31 December 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 six months ended 31 December 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 six months ended 31 December 2010.

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

Hong Kong, 11 February 2011

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.