



HENGXIN
恒 芯 中 國

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8046)

THIRD QUARTERLY RESULTS ANNOUNCEMENT **For the nine months ended 31 March 2009**

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 the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* For identification purposes only

HIGHLIGHTS

- The Group recorded an unaudited turnover of approximately HK\$172.1 million for the nine months ended 31 March 2009, representing an increase of approximately seven times when compared with that of the corresponding period in 2008.
- The Group recorded an unaudited profit before income tax of approximately HK\$74.2 million and unaudited profit after income tax of approximately HK\$74.1 million for the nine months ended 31 March 2009 as compared to loss before and after income tax of approximately HK\$20.2 million for the corresponding period in 2008. The unaudited profit for the review period has taken into account the recognition of non-cash cost relating to share options granted in the amount of approximately HK\$13.6 million.
- The significant increase in turnover and net profit was predominantly attributable to the success of implementing the newly acquired businesses since late September 2008; the contract revenues of the mobile TV project in Hunan starting to recognise and contribute to the results of the Group; and the generally significantly higher profit margin of such businesses.
- Earnings per share of the Company was approximately HK\$0.0766 for the nine months ended 31 March 2009 as compared to basic loss per share of approximately HK\$0.0364.
- The Board does not recommend the payment of an interim dividend for the nine months ended 31 March 2009.

RESULTS

The board of Directors (the “Board”) of Heng Xin China Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and nine months ended 31 March 2009 together with the comparative unaudited figures for the corresponding periods in 2008.

	<i>Note</i>	Three months ended 31 March		Nine months ended 31 March	
		2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>	2009 (Unaudited) <i>HK\$'000</i>	2008 (Unaudited) <i>HK\$'000</i>
Turnover	3	106,977	7,240	172,065	23,101
Cost of sales		(52,388)	(7,150)	(67,966)	(22,712)
Gross profit		54,589	90	104,099	389
Other income	3	48	135	9,179	1,112
Selling and marketing expenses		(870)	—	(1,820)	—
Other operating expenses	4	(15,020)	(13,885)	(34,199)	(21,673)
Profit/(loss) from operations		38,747	(13,660)	77,259	(20,172)
Impairment loss on available-for-sale investments		288	—	(2,174)	—
Loss on disposal of available-for-sale investments		(791)	—	(791)	—
Finance costs		(12)	—	(61)	—
Profit/(loss) before income tax	4	38,232	(13,660)	74,233	(20,172)
Income tax credit/(expenses)	5	3,945	—	(151)	—
Profit/(loss) for the period		42,177	(13,660)	74,082	(20,172)
Attributable to:					
Equity holders of the Company		39,398	(13,660)	70,356	(20,172)
Minority interests		2,779	—	3,726	—
		42,177	(13,660)	74,082	(20,172)
Earnings/(loss) per share (expressed in HK cent)	6				
— basic		3.57	(2.45)	7.66	(3.64)
— diluted		2.92	(2.45)	6.50	(3.64)
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 subsidiaries of the Company are engaged in the research, design, development on and manufacturing of electronic message security products, integrated circuits, radio frequency identification (“RFID”) chips and related devices and systems, and the integrated circuit solutions and the related services.

The Major Acquisitions

On 16 September 2008, ordinary resolutions were passed at the special general meeting of the Company in relation to (1) the sale and purchase agreement entered into among the Group, Easy Mount Enterprises Limited (“Easy Mount”), Lomond Group Limited, Mr. Li Haoping and Mr. Ho Wai Jung to acquire the entire equity interest of Star Hub Investments Limited (together with its subsidiaries, the “Star Hub Group”), a company established in the British Virgin Island (“BVI”) with limited liability which is wholly owned by Easy Mount, at a total maximum consideration of HK\$215.05 million (the “Jinqiao Hengtai Acquisition”); and (2) the sale and purchase agreement entered into among the Group, Mind Smart Group Limited (“Mind Smart”), Team Effort Investments Limited, Mr. Choi Chung Lam, and Mr. Lu Xing to acquire the entire equity interest of Sino Will Limited (together with its subsidiaries, the “Sino Will Group”), a company incorporated in BVI with limited liability which is wholly and beneficially owned by Mind Smart, at a total maximum consideration of HK\$334.4 million (the “Huzhou Maxium Acquisition”). The acquisitions were completed on 23 September 2008 (the “Completion Date”). The settlement of the total consideration for the Jinqiao Hengtai Acquisition and the Huzhou Maxium Acquisition is described below.

The consideration for the Jinqiao Hengtai Acquisition of HK\$215.05 million has been satisfied (i) as to HK\$5 million in cash and (ii) as to HK\$73.5 million by the issue of the convertible notes at the initial conversion price of HK\$0.34 (the “Convertible Notes”) on the Completion Date. On 26 March 2009, the Board announces that the earnings before interest, taxes, depreciation and amortisation (“EBITDA”) of the audited consolidated financial statement of the Star Hub Group for the period from the Completion Date to 31 December 2008 in relation to the Jinqiao Hengtai Acquisition was approximately HK\$17.3 million and therefore the EBITDA commitment of RMB12 million for the period ended 31 December 2008 has been met. An aggregate of HK\$31.5 million principal amount of Convertible Notes was required and had been issued to Easy Mount. The balance of the total consideration is to be satisfied as to HK\$105.0 million by the issue of the Convertible Notes in accordance with the EBITDA commitment on or around the 70th day after 30 September 2009 if the EBITDA commitment of RMB 24 million shall have been met.

The consideration for the Huzhou Maxium Acquisition of HK\$334.4 million has been satisfied (i) as to HK\$15 million in cash; (ii) as to HK\$111.8 million by the issue of the Convertible Notes on the Completion Date. On 26 March 2009, the Board also announces that the EBITDA of the audited consolidated financial statement of the Sino Will Group for the period from the Completion Date to 31 December 2008 in relation to the Huzhou Maxium Acquisition was approximately HK\$28.0 million and therefore the EBITDA commitment of RMB18 million for the period ended 31 December 2008 has been met. An aggregate of HK\$47.9 million principal amount of Convertible Notes was required and had been issued to Mind Smart. The balance of the total consideration is to be satisfied as to HK\$159.7 million by the issue of the Convertible Notes in accordance with the EBITDA commitment on or around the 70th day after 30 September 2009 if the EBITDA commitment of RMB 36 million shall have been met.

Details of the acquisitions are set out in the circular dated 29 August 2008 and the announcement dated 23 September 2008 of the Company respectively.

On 29 September 2008, the Company approved conversion notices from the vendors of the Jinqiao Hengtai Acquisition and the Huzhou Maxium Acquisition in relation to the exercise of the conversion rights attached to the consideration Convertible Notes in the aggregate principal amount of HK\$185.3 million (the “Conversion”). As a result of the Conversion, an aggregate of 545,022,000 new shares were issued by the Company on 30 September 2008 and the total issued ordinary shares of the Company has been increased to 1,103,022,000 shares.

Change of Company Name

As set out in the announcement of the Company dated 12 January 2008, the name of the Company was changed from “Tiger Tech Holdings Limited” to “Heng Xin China Holdings Limited” and the Chinese name was changed correspondingly from “老虎科技(控股)有限公司” to “恒芯中國控股有限公司”. The Certificate of Incorporation on change of name was issued by Registrar of Companies in Bermuda on 28 November 2008 certifying that the change of the name of the Company was registered on 24 November 2008. The name change reflects the focus of the Group in the information technology related businesses in the PRC.

2. Basis of preparation and accounting policies

The unaudited consolidated results for the nine months ended 31 March 2009 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

The unaudited consolidated 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 2008. These unaudited consolidated results should be read in conjunction with the Company’s annual report for the year ended 30 June 2008. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 30 June 2009 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

During the nine months ended 31 March 2008, the turnover of the Group was entirely derived from the trading of computer parts in Hong Kong.

During the nine months ended 31 March 2009, the turnover of the Group was derived from the following business segments:

- research, design, manufacturing and trading of information safety products and equipment integration business;
- research, design, manufacturing and trading of wireless digital audio products and related solutions and services; and
- trading of computer parts.

Turnover and revenue recognised by category during the three months and nine months ended 31 March 2009 are as follows:

	Three months ended 31 March		Nine months ended 31 March	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Turnover				
Information safety products and equipment integration business	90,610	—	113,395	—
Wireless digital audio products business	16,367	—	53,972	—
Sales of computer parts	—	7,240	4,698	23,101
	<u>106,977</u>	<u>7,240</u>	<u>172,065</u>	<u>23,101</u>
Other income				
Bank interest income	3	135	60	1,101
Dividend income from available-for-sale investments	—	—	—	11
Gain on disposal of a subsidiary	20	—	20	—
Realised gain on disposal of available-for-sale investments	—	—	7,295	—
Other income	25	—	1,804	—
	<u>48</u>	<u>135</u>	<u>9,179</u>	<u>1,112</u>

4. Profit/ (loss) before income tax

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

	Three months ended 31 March		Nine months ended 31 March	
	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)	2009 HK\$'000 (Unaudited)	2008 HK\$'000 (Unaudited)
Cost of inventories sold	52,388	7,150	67,966	22,712
Other Operating Expenses				
Depreciation and amortisation	309	139	815	335
Operating lease charges on premises	721	581	2,122	914
Provision for doubtful debts	—	—	—	2,286
Staff costs (including Directors' remuneration)				
— salaries and allowances	1,974	835	6,758	2,761
— equity-settled share option expenses	7,823	-	13,648	-
Impairment loss on available-for-sale investments	(288)	9,245	2,174	10,350
Loss on disposal of available-for-sale investments	791	—	791	—
	<u>791</u>	<u>—</u>	<u>791</u>	<u>—</u>

5. Income tax credit/(expenses)

Pursuant to the relevant laws and regulations in the PRC, subsidiaries of the Company in PRC are entitled to exemption from the PRC enterprise income tax ("EIT") for two years commencing from its first profit making year of operation, and thereafter, it is entitled to 50% relief from EIT for the following three years. As such, over-provision for EIT made in the previous period was reversed during the third quarter ended 31 March 2009.

Hong Kong profits tax has not been provided as the Company and its subsidiaries in Hong Kong have no assessable profits for the current and prior periods.

6. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) 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 March		Nine months ended 31 March	
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)
Profit/(loss) attributable to the equity holders of the Company (HK\$'000)	39,398	(13,660)	70,356	(20,172)
Weighted average number of ordinary shares in issue (thousands)	1,103,022	558,000	918,658	553,694
Basic earnings/(loss) per share (HK cent)	<u>3.57</u>	<u>(2.45)</u>	<u>7.66</u>	<u>(3.64)</u>

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

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) 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 the deemed exercise of all share options outstanding during the period.

	Three months ended 31 March		Nine months ended 31 March	
	2009 (Unaudited)	2008 (Unaudited)	2009 (Unaudited)	2008 (Unaudited)
Profit/(loss) attributable to the equity holders of the Company (<i>HK\$'000</i>)	<u>39,398</u>	<u>(13,660)</u>	<u>70,356</u>	<u>(20,172)</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>1,103,022</u>	<u>558,000</u>	<u>918,658</u>	<u>553,694</u>
Weighted average number of ordinary shares in issue on the deemed conversion of all convertible notes outstanding during the period (<i>thousands</i>)	<u>233,581</u>	<u>—</u>	<u>160,534</u>	<u>—</u>
Weighted average number of ordinary shares in issue on the deemed exercise of all share options outstanding during the period (<i>thousands</i>)	<u>11,556</u>	<u>—</u>	<u>3,782</u>	<u>—</u>
	<u>1,348,159</u>	<u>558,000</u>	<u>1,082,974</u>	<u>553,694</u>
Diluted earnings/(loss) per share (<i>HK cent</i>)	<u><u>2.92</u></u>	<u><u>(2.45)</u></u>	<u><u>6.50</u></u>	<u><u>(3.64)</u></u>

7. Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 March 2009 (2008: Nil).

8. Reserves

	Attributable to the equity holders of the Company							Total HK\$'000
	Share premium HK\$'000	Warrant reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Investment valuation reserve HK\$'000	Share options reserve HK\$'000	(Accumulated losses)/ Retained earnings HK\$'000	
Balance at 1 July 2007	36,850	—	(595)	45	—	—	(39,018)	(2,718)
Warrants issued	—	7,440	—	—	—	—	—	7,440
Exercise of warrants	73,470	(7,440)	—	—	—	—	—	66,030
Loss for the nine months ended 31 March 2008	—	—	—	—	—	—	(20,172)	(20,172)
Balance at 31 March 2008	110,320	—	(595)	45	—	—	(59,190)	50,580
Balance at 1 July 2008	110,320	—	(595)	45	5,834	—	(54,856)	60,748
Shares issued	186,162	—	—	—	—	—	—	186,162
Exchange adjustment on translation of financial statements of overseas subsidiaries	—	—	—	714	—	—	—	714
Change in fair value of available-for-sale investment	—	—	—	—	(5,362)	—	—	(5,362)
Recognition of equity settled share-based payments	—	—	—	—	—	14,738	—	14,738
Profit for the nine months ended 31 March 2009	—	—	—	—	—	—	70,356	70,356
Balance at 31 March 2009	296,482	—	(595)	(669)	472	14,738	15,500	325,928

MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial review

For the nine months ended 31 March 2009, the Group recorded a consolidated turnover of approximately HK\$172.1 million, representing an increase of approximately 645% when compared to approximately HK\$23.1 million for the corresponding period in the last financial year. Approximately 97% of the turnover is generated from the sales of integrated circuits and related system solutions and services. For the most recent quarter ended 31 March 2009, it also marked the initial recognition of contract revenues from the Hunan mobile TV project. In light of the Group's focus on higher margin business since the acquisitions, gross profit margin of the Group improved significantly from approximately 1.7% for the corresponding period of last financial year to approximately 60.5% for the current nine-month period. However, it is expected that as the products/services mix of the Group changes over the phases of the underlying contracts, notably between device sales and system/software sales, the profit margin of the Group may, as a consequence, fluctuate at the high margins reflecting the nature of such sales mix.

Other operating expenses amounted to HK\$34.2 million for the nine months ended 31 March 2009 and included the non-cash costs of equity-settled share options of approximately HK\$13.6 million related to the grants of share options under the share option scheme of the Company. The other operating expenses comprised mainly staff costs, office rentals and legal and professional expenses. During the review period, 55,000,000 and 80,000,000 share options were granted in July 2008 and February 2009 respectively. Though the 55,000,000 share options were subsequently cancelled in October 2008, the related equity-settled share options expenses amounting to approximately HK\$5.8 million had been recognised in the second quarter results and could not be reversed in the accounts in accordance with HKFRS. In February 2009, as published in the Company's announcement dated 17 February 2009, an adviser has been appointed by the Group for one year to promote and enhance investor interest and potential investment in the Group and the Company has conditionally granted to the adviser share options to subscribe for 60,000,000 shares at the exercise price of HK\$0.305 per share.

The profit attributable to equity holders amounted to approximately HK\$70.4 million for the nine months ended 31 March 2009, compared to loss attributable to equity holders of approximately HK\$20.2 million in the corresponding period in the previous financial year. Basic earnings per share was approximately HK\$0.0766, compared to basic loss per share of approximately HK\$0.0364 for the corresponding period of the last year.

Responding to the market uncertainties and downturn, the Group has managed its securities trading by disposing a subsidiary at its net book value in February 2009. Non-recurring impairment loss and loss on disposal in the amount of approximately HK\$3.0 million pertaining to the disposed available-for-sale investments were reflected in the results.

As at 31 March 2009, the cash and bank balances of the Group amounted to approximately HK\$28.2 million. The Group has no long-term borrowing and the gearing ratio of the Group, calculated as total borrowings over total assets, was zero (31 March 2008: 0.03).

Business review and prospects

During the nine months ended 31 March 2009, the Group concentrated its efforts in business and product development and attained early success in sales and marketing of its products and services. The first shipment of systems and devices for the Hunan mobile TV project (detailed below) was made during the third quarter resulting in the recognition of contracting revenues of approximately HK\$65.0 million. Due to the heavier weighting of device-related deliveries during the quarter, which has a relatively lower margin, the nine-month gross profit margin reduced to approximately 60.5% from approximately 76.1% in the second quarter.

(i) Information safety products and equipment integration business

The turnover for the nine months ended 31 March 2009 generated from the encrypted integrated circuits and the derived integrated business amounted to approximately HK\$113.4 million or approximately 66% of the total turnover.

Building on the strength of its core techniques and collaborating with a large number of business partners, the Group has become the main contractor of the operating platform for Hunan Mobile TV Co., Ltd (“Hunan Mobile TV”) providing all the software and hardware for the headed devices (including core software, encoders and transmission stations) and the ended devices (such as digital television set-top boxes) as well as contracting services of technological research and development. Meanwhile, the Group has secured a long-term after-sales technical service contract which actualise substantial returns and contributing to more sustainable source of after-sales profits.

Approximately 70% of the revenue in the third quarter of this segment was derived from the construction project of the ground wireless digital television operating platform, which is jointly developed with Hunan Mobile TV. The construction of the project has just commenced. It is expected that, over the next three years, in Hunan alone there will be a demand for 4 million to 5 million units of digital set-top boxes which would generate sales income in the tune of approximately HK\$2 billion to the Group. Moreover, the subsequent value-added after-sales business and technical services will continue to support a steady and robust income level for the Group.

Continuing the success in the implementation of the mobile TV project in Hunan, the Group has secured similar projects in other provinces of mainland China, such as Henan, Hebei, Hubei, Inner Mongolia. The profit of the Group is expected to grow rapidly once these operation is formally launched.

Directionally, the Group is also in the process of seeking cooperation opportunities with digital cable TV operators by assisting them to attract end-users to migrate from their current analogue TV transmission to wireless ground TV transmission. TV operators from a number of the provinces have indicated their intent to such business cooperation. Potentially, this may involve over tens of millions of end-users to be covered. With the development of these new business opportunities, sales performance of the Company is expected to grow significantly.

(ii) Wireless digital audio products business

The turnover for the nine months ended 31 March 2009 generated from the wireless digital audio products business and the related technical services amounted to approximately HK\$54.0 million or approximately 31% of the Group’s total turnover.

Though a large number of contracted orders in this segment has been seriously affected by the outbreak and the spread of the current global financial crisis, according to the feedback from the customers, market demand of our products still exists, only shipment of orders needed to be pushed back. Based on the recent order delivery situation, the market may be ready to pick up in the fourth quarter. In fact, before the onset of the crisis, the Group has made precautionary preparation, such as adopting measures to lower the level of inventories, and making corresponding adjustments in the direction of product research and development based on the stimulus policies launched by the PRC government.

In respect of adjusting the direction of product research and development, the Group has put more efforts in exploring the 3G market by the end of the second quarter and strengthened its cooperation with China Mobile. With the launch of the 3G market-based high value-added products, the Group has evolved as the sole supplier of wireless ended devices for multimedia system for China Mobile for penetrating into the residential communications market. The Group has commenced its supply to the Guangdong branch of China Mobile. In the meantime, China Mobile will launch nation-wide marketing activities of this product series. The rapid development of 3G network will also become a new profit-growth driver for the Group in the future.

In the process of construction of the digital TV operating platform, the Group has identified vast demand for new businesses such as digital communication value-added business, interactive video on-demand, etc. These businesses have the features of high value-added software and high growth of after-sales revenue. Capitalising on its considerable matured technologies in the field of multimedia communication, the Group has successfully developed applicable intermediary software and application software in its collaborative development and cooperation with these other business partners. Network trial of the software is in progress and will be gradually applied to the digital TV operating platform. It is expected that these developments would contribute sustained profits for the Group in the future.

The Group retains its focus on products and services deploying its self-designed integrated circuits and at the same time seeks to integrate new technologies such as RFID into its products and solutions. The Group has adopted a pragmatic approach by adjusting its businesses in response to the latest market situations. Building on the technological resource base it has already acquired, the coordinated efforts and experience of its staff and the reinforced management team, the Group is positioned to and will be able to make further results improvements in the near future.

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 March 2009, the interests and short positions of the Directors, the chief executives 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 1)	Approximate percentage of interests in the issued share capital
Mr. Xiao Yan	Chief Executive Officer/Executive Director	Beneficial owner	—	2,200,000	0.20%
Mr. Feng Yongming	Executive Director	Beneficial owner	—	1,000,000	0.09%
Mr. Chan Wai Dune	Independent non-executive Director	Beneficial owner	—	1,000,000	0.09%
Mr. Wu Fred Fong	Chief Financial Officer	Beneficial owner	816,000	4,000,000	0.44%
Ms. Yu Sau Lai (Note 2)	Executive Director	Beneficial owner	—	2,000,000	0.18%

Notes:

- The Directors and the chief executives 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.
- Ms. Yu Sau Lai has resigned as an executive Director with effect from 1 April 2009.

Save as disclosed in this announcement, at no time during the nine months ended 31 March 2009 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 March 2009, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Interests in the shares of the Company

Name of shareholder	Number or attributable number of shares or underlying shares held	Type of interests	Approximate percentage of interests
Choi Chung Lam (<i>Note 1</i>)	836,176,706 (L)	Interest in controlled corporation	75.81%
Team Effort Investments Limited (<i>Note 1</i>)	836,176,706 (L)	Interest in controlled corporation	75.81%
Mind Smart Group Limited (<i>Note 1</i>)	610,618,000 (L)	Beneficial owner	55.36%
Li Haoping (<i>Note 2</i>)	503,676,353 (L)	Interest in controlled corporation	45.66%
Lomond Group Limited (<i>Note 2</i>)	503,676,353 (L)	Interest in controlled corporation	45.66%
Easy Mount Enterprises Limited (<i>Note 2</i>)	401,566,000 (L)	Beneficial owner	36.41%
Lam Shu Chung (<i>Note 3</i>)	112,920,000 (L)	Interest in controlled corporation	10.24%
Orient State Limited (<i>Note 3</i>)	112,920,000 (L)	Beneficial owner	10.24%

L: Long Position

Notes:

- 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 610,618,000 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 225,558,706 shares held by Team Effort Investments Limited.
- 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 401,566,000 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 102,110,353 shares held by Lomond Group Limited.

3. The entire issued share capital of Orient State Limited is directly owned by Mr. Lam Shu Chung. Mr. Lam Shu Chung is deemed to be interested in the 112,920,000 shares held by Orient State Limited.

Save as disclosed above, as at 31 March 2009, 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 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 2008.

On 16 July 2008, share options were granted to the Director, staff or consultants of the Company and its subsidiaries to acquire for an aggregate of 55,000,000 shares of the Company at an exercise price of HK\$1.07 per share. None of the share options had been exercised since granted and all of the share options granted were subsequently cancelled on 16 October 2008.

On 18 February 2009, share options were granted to the Director, chief executives, staff or consultants of the Company and its subsidiaries to acquire for an aggregate of 80,000,000 shares of the Company at an exercise price of HK\$0.37 per share for a validity period from 18 March 2009 to 17 March 2012. None of the share options had been exercised since granted. Details of the grant of the share options were set out in the announcement of the Company dated 18 February 2009.

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. 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 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.

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. On 2 April 2009, the High Court of Hong Kong ordered the matter to be adjourned to 22 July 2009. 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 31 March 2009.

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 of the date, the audit committee comprises three independent non-executive Directors, namely, Mr. Chan Wai Dune (Chairman), Mr. Dong Shi and Mr. Hu Ding Dong. The duties of the audit committee include reviewing the Group's annual reports and accounts, half-yearly reports and quarterly reports and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Company, and to review the appointment of external auditors on an annual basis as well as to ensure independence of the continuing auditor.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its Code of Conduct for Securities Transactions by Directors throughout the nine months ended 31 March 2009. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by Directors during the nine months ended 31 March 2009.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 March 2009.

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

Hong Kong, 24 April 2009

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. Chan Wai Dune, Mr. Dong Shi and Mr. Hu Ding Dong 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.