



HENGXIN
恒 芯 中 國

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

(Formerly known as Tiger Tech Holdings Limited 老虎科技(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 2008**

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This announcement, for which the directors of Heng Xin China Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to 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\$65.1 million for the six months ended 31 December 2008, representing an increase of approximately 4 times when compared with that of the same period in 2007.
- The Group recorded an unaudited profit before income tax of approximately HK\$36.0 million and unaudited profit after income tax of approximately HK\$31.9 million for the six months ended 31 December 2008 as compared to loss before and after income tax of approximately HK\$6.5 million for the same period in 2007.
- The significant increase in turnover and net profit was predominantly contributed during the most recent quarter from the new business segments since the completion of the Jinqiao Hengtai Acquisition and Huzhou Maxium Acquisition.
- Basic earnings per share of the Company was approximately HK\$0.0373 for the six months ended 31 December 2008 as compared to basic loss per share of approximately HK\$0.0118.
- The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2008.

RESULTS

The board of Directors (“the Board”) of Heng Xin China Holdings Limited (the “Company”, formerly known as Tiger Tech Holdings Limited) 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 2008 together with the comparative unaudited figures for the corresponding periods in 2007.

CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Three months ended 31 December		Six months ended 31 December	
		2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)	2008 <i>HK\$'000</i> (Unaudited)	2007 <i>HK\$'000</i> (Unaudited)
Turnover	3	58,807	6,898	65,088	15,861
Cost of sales		(9,929)	(6,770)	(15,578)	(15,562)
Gross profit		48,878	128	49,510	299
Other income		4,409	480	9,131	977
Selling and marketing expenses		(804)	—	(950)	—
Other operating expenses		(6,549)	(6,152)	(19,179)	(7,788)
Profit/(loss) from operations		45,934	(5,544)	38,512	(6,512)
Impairment loss on available- for-sale investments		(619)	—	(2,462)	—
Finance costs		(49)	—	(49)	—
Profit/(loss) before income tax	4	45,266	(5,544)	36,001	(6,512)
Income tax	5	(4,096)	—	(4,096)	—
Profit/(loss) for the period		<u>41,170</u>	<u>(5,544)</u>	<u>31,905</u>	<u>(6,512)</u>
Attributable to:					
Equity holders of the Company		40,223	(5,544)	30,958	(6,512)
Minority interests		947	—	947	—
		<u>41,170</u>	<u>(5,544)</u>	<u>31,905</u>	<u>(6,512)</u>
Earnings/(loss) per share (expressed in HK cent)					
— basic	6	<u>3.65</u>	<u>(0.99)</u>	<u>3.73</u>	<u>(1.18)</u>
— diluted		<u>3.01</u>	<u>(0.99)</u>	<u>3.25</u>	<u>(1.18)</u>
Dividends	7	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

CONDENSED CONSOLIDATED BALANCE SHEET

		As at	
		31 December 2008 HK\$'000 (Unaudited)	30 June 2008 HK\$'000 (Audited)
	Note		
Non-current assets			
Property, plant and equipment	8	2,320	1,817
Goodwill	9	214,516	—
Intangible assets	10	2,940	—
Available-for-sale investments	11	2,714	15,499
Deposits for acquisition of subsidiaries		—	20,000
		222,490	37,316
Current assets			
Inventories		2,455	—
Trade receivables	12	44,982	—
Prepayment, deposits and other receivables		20,574	1,885
Pledged deposits		4,394	4,394
Cash at bank and in hand		16,571	24,073
		88,976	30,352
Current liabilities			
Trade payables	13	7,807	—
Other payables and accruals		9,205	955
Income tax payables		4,149	—
Bank overdrafts		—	385
		21,161	1,340
Net current assets		67,815	29,012
NET ASSETS		290,305	66,328
Capital and reserves			
Share capital	14	11,030	5,580
Reserves		278,324	60,748
		289,354	66,328
Minority interests		951	—
TOTAL EQUITY		290,305	66,328

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Attributable to the equity holders of the Company									
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Warrant reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Investment valuation reserve <i>HK\$'000</i>	Share options reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 July 2007	4,650	36,850	—	(595)	45	—	—	(39,018)	—	1,932
Change in fair value of available-for-sale investments	—	—	—	—	—	—	—	—	—	—
Warrants issued	—	—	7,440	—	—	—	—	—	—	7,440
Exercise of warrants	930	73,470	(7,440)	—	—	—	—	—	—	66,960
Loss for the six months ended 31 December 2007	—	—	—	—	—	—	—	(6,512)	—	(6,512)
Balance at 31 December 2007	<u>5,580</u>	<u>110,320</u>	<u>—</u>	<u>(595)</u>	<u>45</u>	<u>—</u>	<u>—</u>	<u>(45,530)</u>	<u>—</u>	<u>69,820</u>
Balance at 1 July 2008	5,580	110,320	—	(595)	45	5,834	—	(54,856)	—	66,328
Shares issued	5,450	186,162	—	—	—	—	—	—	—	191,612
Exchange adjustment on translation of financial statements of overseas subsidiaries	—	—	—	—	271	—	—	—	—	271
Change in fair value of available-for-sale investment	—	—	—	—	—	(5,640)	—	—	—	(5,640)
Recognition of equity settled share-based payments	—	—	—	—	—	—	5,825	—	—	5,825
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	4	4
Profit for the six months ended 31 December 2008	—	—	—	—	—	—	—	30,958	947	31,905
Balance at 31 December 2008	<u>11,030</u>	<u>296,482</u>	<u>—</u>	<u>(595)</u>	<u>316</u>	<u>194</u>	<u>5,825</u>	<u>(23,898)</u>	<u>951</u>	<u>290,305</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months	
	ended 31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	Unaudited	Unaudited
Net cash used in operating activities	(14,522)	(5,996)
Net cash from/(used in) investing activities	7,405	(18,914)
Net cash from financing activities	—	74,400
Net (decrease)/increase in cash and cash equivalents	(7,117)	49,490
Cash and cash equivalents at 1 July	23,688	798
Cash and cash equivalents at 31 December	16,571	50,288
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	16,571	50,288

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 and related systems, and provision of integrated circuit solutions and the related services.

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, a company established in the 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, a company incorporated in the British Virgin Island (“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 consideration of 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 conversion price of HK\$0.34 (the “Convertible Notes”) on the Completion Date; and to be satisfied (iii) as to HK\$136.5 million by the issue of the Convertible Notes in two instalments in accordance with the EBITDA commitment by 30 September 2009. While the consideration of 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; and to be satisfied (iii) as to HK\$207.6 million by the issue of the Convertible Notes in two instalments in accordance with the EBITDA commitment by 30 September 2009.

Subsequently on 29 September 2008, the Company approved conversion notices in relation to the exercise of the conversion rights attached to the Convertible Notes in the aggregate principal amount of HK\$185,307,480 (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.

Details of the acquisitions and the Conversion are set out in the circular of the Company dated 29 August 2008 and the announcement of the Company dated 30 September 2008 respectively.

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 24 November 2008.

2. Basis of preparation and accounting policies

The unaudited consolidated financial statements for the six months ended 31 December 2008 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 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, revenue and segment information

During the six months ended 31 December 2007, the turnover and operating results of the Group were entirely derived from one business segment which was the trading of computer parts in Hong Kong.

During the six months ended 31 December 2008, the turnover and operating results of the Group were derived from the following business segments:

- research, manufacturing and trading of encrypted integrated circuits and related services;
- research, manufacturing and trading of wireless digital audio integrated circuits and related solutions and services; and
- trading of computer parts.

Turnover and revenue recognised by category during the three months and six months ended 31 December 2008 were as follows:

	Three months ended 31 December 2008		Six months ended 31 December 2008	
	HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Turnover				
Encrypted integrated circuits	22,785	—	22,785	—
Wireless digital audio integrated circuits	36,022	—	37,605	—
Sales of computer parts	—	6,898	4,698	15,861
	<u>58,807</u>	<u>6,898</u>	<u>65,088</u>	<u>15,861</u>
Other income				
Bank interest income	30	469	57	966
Dividend income from available-for-sale investments	—	11	—	11
Realised gain on disposal of available-for-sale investments	2,600	—	7,295	—
Other income	1,779	—	1,779	—
	<u>4,409</u>	<u>480</u>	<u>9,131</u>	<u>977</u>

The segment results for the six months ended 31 December 2008 (primary reporting format) are as follows:

	Encrypted integrated circuits HK\$'000 Unaudited	Wireless digital audio integrated circuits HK\$'000 Unaudited	Trading of computer parts HK\$'000 Unaudited	Group HK\$'000 Unaudited
Revenue				
Segment turnover from external customers	<u>22,785</u>	<u>37,605</u>	<u>4,698</u>	<u>65,088</u>
Segment results	<u>12,535</u>	<u>29,857</u>	<u>58</u>	42,450
Unallocated income				9,131
Unallocated expenses				(13,069)
Profit from operations				38,512
Impairment loss on available-for-sale investments				(2,462)
Finance costs				(49)
Profit before income tax				36,001
Income tax				(4,096)
Profit for the six months ended 31 December 2008				<u>31,905</u>

4. Profit/(loss) before income tax

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

	Six months ended 31 December	
	2008 (Unaudited)	2007 (Unaudited)
Cost of inventories sold	15,578	15,562
Depreciation and amortisation	506	196
Impairment loss on available-for-sale investments	2,462	1,105
Operating lease charges on premises	1,401	333
Provision for doubtful debts	—	2,286
Staff costs (including Directors' remuneration)		
— salaries and allowances	4,620	1,926
— pension scheme contributions	164	47
— share-based payment	5,825	—
	<u>5,825</u>	<u>—</u>

5. Income tax

The PRC enterprise income tax ("EIT") has been provided on the profit of the Group's subsidiary in the PRC and calculated at the EIT rate of 25%.

Pursuant to the relevant laws and regulations in the PRC, a subsidiary of the Company is entitled to exemption from 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.

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 December		Six months ended 31 December	
	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)
Profit/(loss) attributable to the equity holders of the Company (HK\$'000)	<u>40,223</u>	<u>(5,544)</u>	<u>30,958</u>	<u>(6,512)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,103,022</u>	<u>558,000</u>	<u>828,968</u>	<u>551,565</u>
Basic earnings/(loss) per share (HK cent)	<u>3.65</u>	<u>(0.99)</u>	<u>3.73</u>	<u>(1.18)</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 outstanding during the period.

	Three months ended 31 December		Six months ended 31 December	
	2008 (Unaudited)	2007 (Unaudited)	2008 (Unaudited)	2007 (Unaudited)
Profit/(loss) attributable to the equity holders of the Company (HK\$'000)	<u>40,223</u>	<u>(5,544)</u>	<u>30,958</u>	<u>(6,512)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>1,103,022</u>	<u>558,000</u>	<u>828,968</u>	<u>551,565</u>
Weighted average number of ordinary shares in issue on the deemed conversion of all convertible notes outstanding during the period (thousands)	<u>233,581</u>	<u>—</u>	<u>124,997</u>	<u>—</u>
	<u>1,336,603</u>	<u>558,000</u>	<u>953,965</u>	<u>551,565</u>
Diluted earnings/(loss) per share (HK cent)	<u><u>3.01</u></u>	<u><u>(0.99)</u></u>	<u><u>3.25</u></u>	<u><u>(1.18)</u></u>

7. **Interim dividend**

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2008 (2007: Nil).

8. **Property, plant and equipment**

	31 December 2008 HK\$'000 (Unaudited)	30 June 2008 HK\$'000 (Audited)
Opening net book amount	1,817	478
Additions	752	1,818
Acquisition of subsidiaries	1,051	—
Depreciation	(431)	(476)
Disposals	(863)	(3)
Exchange differences	(6)	—
Closing net book amount	<u><u>2,320</u></u>	<u><u>1,817</u></u>

9. Goodwill

	31 December 2008 <i>HK\$'000</i> (Unaudited)	30 June 2008 <i>HK\$'000</i> (Audited)
Opening net book amount	—	—
Acquisition of subsidiaries	<u>214,516</u>	<u>—</u>
Closing net book amount	<u><u>214,516</u></u>	<u><u>—</u></u>

10. Intangible assets

	31 December 2008 <i>HK\$'000</i> (Unaudited)	30 June 2008 <i>HK\$'000</i> (Audited)
Opening net book amount	—	—
Acquisition of subsidiaries	3,028	—
Amortisation	(75)	—
Exchange differences	<u>(13)</u>	<u>—</u>
Closing net book amount	<u><u>2,940</u></u>	<u><u>—</u></u>

11. Available-for-sale investments

	31 December 2008 <i>HK\$'000</i> (Unaudited)	30 June 2008 <i>HK\$'000</i> (Audited)
Equity securities listed in Hong Kong	<u>2,714</u>	<u>15,499</u>
Market value of listed securities	<u>2,714</u>	<u>15,499</u>
Fair value of individually impaired available-for-sale equity securities	<u><u>2,714</u></u>	<u><u>12,503</u></u>

12. Trade receivables

The Group's trading terms with its customers are generally 30 to 90 days (30 June 2007: due on date of delivery). The ageing analysis of the trade receivables, based on the invoice date, and net of allowance, is as follows:

	31 December 2008 <i>HK\$'000</i> (Unaudited)	30 June 2008 <i>HK\$'000</i> (Audited)
0 - 30 days	36,942	—
31 - 90 days	3,252	—
91 - 180 days	4,599	—
Over 180 days	189	—
	<u>44,982</u>	<u>—</u>

The trade receivables are denominated in Renminbi which is the functional currency of the operating subsidiaries.

13. Trade payables

The ageing analysis of the trade payables is as follow:

	31 December 2008 <i>HK\$'000</i> (Unaudited)	30 June 2008 <i>HK\$'000</i> (Audited)
0 - 30 days	6,114	—
31 - 90 days	405	—
91 - 180 days	1,284	—
Over 180 days	4	—
	<u>7,807</u>	<u>—</u>

14. Share capital

	Number of shares	HK\$'000
Authorised		
Ordinary shares of HK\$0.01 each		
As at 30 June 2008 and 31 December 2008	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid		
Ordinary shares of HK\$0.01 each		
As at 30 June 2008	558,000,000	5,580
Issue of shares upon conversion of convertible notes (<i>Note</i>)	<u>545,022,000</u>	<u>5,450</u>
As at 31 December 2008	<u>1,103,022,000</u>	<u>11,030</u>

Note:

On 29 September 2008, the Company approved conversion notices in relation to the exercise of the conversion rights attached to the Convertible Notes in the aggregate principal amount of HK\$185,307,480 (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.

15. Related party transactions

- (i) During the six months ended 31 December 2008, the Group has carried out the following transactions with related parties:

	Six months ended 31 December	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Sales of goods to Beijing Hengtai Technologies Co., Ltd.	264	—
	<u>264</u>	<u>—</u>

Note:

Beijing Hengtai Technologies Co., Ltd. holds 7% equity interest of Beijing Jinqiao Hengtai Technology Company Limited. 93% of equity interest of Beijing Jinqiao Hengtai Technology Company Limited was owned by Cambridge International Development Limited, an indirect wholly owned subsidiary of the Company.

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	
	2008 HK\$'000 (Unaudited)	2007 HK\$'000 (Unaudited)
Fees, salaries and other short-term employee benefits	881	267
Pension costs-defined contribution plans	12	12
	<u>893</u>	<u>279</u>

MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial review

For the six months ended 31 December 2008, the Group recorded a consolidated turnover of approximately HK\$65.1 million, representing an increase of approximately 309.4% when compared to approximately HK\$15.9 million for the corresponding period in the last financial year. Approximately 93% of the turnover is generated from the sales of integrated circuits and related solutions and services. In light of the Group's focus on higher margin business, gross profit margin of the Group was improved from approximately 1.9% to 76.1% on average.

The major component of other income of approximately HK\$9.1 million was realised gains on disposal of available-for-sale investments for the six months ended 31 December 2008. In September 2008, the Group entered into a subscription agreement, pursuant to which the Group was nominated to subscribe for the convertible bonds issued by China Sciences Conservational Power Limited in the principal amount of HK\$10 million (the "Nominated Convertible Bonds"). In December 2009, the Group has disposed the Nominated Convertible Bonds at an aggregate consideration of HK\$12.6 million. Details of the transactions are set out in the circulars of the Company dated 29 October 2008 and 19 December 2008 respectively. The remaining gains of approximately HK\$4.7 million related to the disposal of an available-for-sale equity securities during the period.

Other operating expenses increased from approximately HK\$7.8 million for the six months ended 31 December 2007 to approximately HK\$19.2 million for the six months ended 31 December 2008, comprised mainly staff costs, office rentals and legal and professional expenses. The increase in other operating expenses is mainly due to the expansion of the scope of the operations as a result of the Jinqiao Hengtai Acquisition and the Huzhou Maxium Acquisition. The increase is also due to the inclusion in the accounts of share based payment of approximately HK\$5.8 million related to the grant of the share options under the share option scheme of the Company in July 2008 which were cancelled in October 2008.

The profit attributable to equity holders amounted to approximately HK\$31.0 million for the six months ended 31 December 2008, compared to loss attributable to equity holders of approximately HK\$6.5 million for the same period in the previous financial year. Basic earnings per share for the six months ended 31 December 2008 was approximately HK\$0.0373, compared to basic loss per share of approximately HK\$0.0118 for the corresponding period of the last financial year.

Business review and prospects

The acquisitions of Beijing Jinqiao Hengtai Technology Company Limited ("Beijing Jinqiao Hengtai") and Huzhou Maxium IC Design Co., Limited ("Huzhou Maxium") completed in September 2008 has broadened the revenue and earnings base of the Group.

The principal businesses of Beijing Jinqiao Hengtai and Huzhou Maxium are as follows:

(i) *Encrypted integrated circuits*

The Group possesses the technology for manufacturing 32-bits conditional access ("CA") card for digital terrestrial televisions. The Company's CA cards use its patented chips loaded with CA software from major vendors. Comparing to the traditional 8-bits or 16-bits CA cards presently used in digital televisions, the 32-bits CA cards have much faster real-time processing and response time and better augmentability and interactivity.

The encrypted integrated circuits can be used to manufacture encrypted mobile hard disks, USB storage, signature systems and telecommunication systems. The Group is the supplier of encryption products to the Chinese military and government e-business platform. The Group had obtained recognition from the government and received the highest “military B-level” certification.

The encrypted integrated circuits can also be used in mobile digital televisions. In June 2008, the Group entered into a strategic cooperation framework agreement with Hunan Mobile TV Co., Ltd, under which the latter purchased equipment, including digital television set top boxes, CA cards and network equipment, from the Group for its digital television projects in Hunan Province. Though the cooperation is yet to contribute significant revenue to the Group, the Group anticipates that this project will be the principal income generator to the Group in the near future.

(ii) *Wireless digital audio integrated circuits*

The Group possesses invention patents to produce high-end wireless digital audio integrated circuits for mobile phones, home multimedia and personal computer products. The audio chips have CD-quality, longer range, lower power consumption, shorter connection time and cheaper price than Bluetooth. The Group currently supply to international brand’s audio systems, GPRS phones and consuming digital products.

The Group’s current customer base is mainly situated in mainland China. Though the operating environment is being affected by the substantial downturn of the global financial markets, the demand for the Group’s unique products appears to be strong and should continue throughout to the rest of the year.

In an effort to further broaden the revenue and earnings base of the Group, the Group will continue to developing its operational capabilities to meet evolving customer needs. Using radio frequency identification (“RFID”) technology, the Group has designed a coal mine safety monitoring system and a postal logistic system for the government. The coal mine safety system tracks the miner’s physical location, which is valuable information in case of mine accidents. The postal logistic system allows dynamic allocation of post vehicle fleet in response to real-time traffic, vehicle availability and postal information, so as to improve postal distribution efficiency. The systems are in their trail run.

Enhancing resources to better service the current and future customer base will be a top priority. The introduction of the new management to the Group will also enable the Group to cope with the new operating environment.

Liquidity and Financial Resources

The Group financed its operations with internally generated cash flows. As at 31 December 2008, the cash and bank balances of the Group (including pledged deposits) amounted to approximately HK\$21.0 million (30 June 2007: 28.5 million). The Renminbi denominated balances of approximately HK\$2.8 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 2008, the Group has net cash outflow of approximately HK\$14.5 million for its operating activities and cash inflow of approximately HK\$7.4 million from investing activities.

As at 31 December 2008, the Group has no long-term borrowing. The gearing ratio of the Group, calculated as total borrowings over total assets, as at 31 December 2008, was zero (30 June 2008: 0.02).

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 2008, the Group has no outstanding foreign currency hedge contract.

Charge on Group Assets

As at 31 December 2008, the Group's assets amounted to approximately HK\$4.4 million were pledged to secure an operating lease agreement entered on 28 December 2007 for the Company's previous office premises (the "Lease"). After the Company has changed its principal office address on 24 November 2008, the Board resolved to enter into a surrender agreement with the landlord to terminate the Lease on 31 January 2009. The Company was not required to pay any consideration for the early termination of the Lease.

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.

Acquisition/Disposal and Significant Investments

On 23 September 2008, the Group completed the Jinqiao Hengtai Acquisition and Huzhou Maxium Acquisition. Details of the transactions are set out in the circular of the Company dated 29 August 2008. Save as disclosed, the Group had no material acquisition or disposal of subsidiaries as at 31 December 2008.

Capital Structure

During the six months ended 31 December 2008, an aggregate of 545,022,000 new shares were issued by the Company as part settlement for the Jinqiao Hengtai Acquisition and Huzhou Maxium Acquisition.

Employee Information

As at 31 December 2008, the Group employed a total of 65 (31 December 2007: 12) full-time employees. The Group's remuneration policy remained the same as detailed in the Annual Report for the year ended 30 June 2008.

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 2008, none of the Directors, chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) had or was deemed to have any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporation (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.

Save as disclosed above, at no time during the six months ended 31 December 2008 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 2008, 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>)	851,176,706 (L)	Interest in controlled corporation	77.17%
Team Effort Investments Limited (<i>Note 1</i>)	851,176,706 (L)	Interest in controlled corporation	77.17%
Mind Smart Group Limited (<i>Note 1</i>)	610,618,000 (L)	Beneficial owner	55.36%
Li Haoping (<i>Note 2</i>)	538,676,353 (L)	Interest in controlled corporation	48.84%
Lomond Group Limited (<i>Note 2</i>)	538,676,353 (L)	Interest in controlled corporation	48.84%
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)	Beneficialowner	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 240,558,706 shares held by Team Effort Investments Limited.

2. The entire issued share capital of Easy Mount Enterprises Limited is owned as to 85% by Lomond Group Limited and 15% by Mr. Ho Wai Jung. Lomond Group Limited is wholly owned by Mr. Li Haoping. Lomond Group Limited and Mr. Li Haoping are deemed to be interested in the 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 137,110,353 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 December 2008, 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.

SHARE OPTION SCHEME

Details of the 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, an aggregate of 55,000,000 share options were granted to the Director, staff or consultants of the Company and its subsidiaries 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.

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 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 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 which 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. There is no further progress since then. The Company will keep 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 2008.

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.

CHANGES IN THE MEMBERS OF THE BOARD OF DIRECTORS

Mr. Xiao Yan was appointed as an executive Director with effect from 15 August 2008. Mr. Chan Wai Dune was appointed as an independent non-executive Director and a member of the audit committee, nomination committee and remuneration committee of the Company with effect from 1 September 2008. Mr. Dong Shi was appointed as an independent non-executive Director and a member of nomination committee and remuneration committee of the Company with effect from 15 October 2008 and appointed as a member of audit committee of the Company with effect from 10 February 2009.

On 21 November 2008, Mr. Cheung Siu Chung Cheever resigned as a non-executive Director, while Mr. Lum Pak Sum and Mr. Kwok Chung Yin resigned as independent non-executive Directors and members of the audit committee, nomination committee and remuneration committee of the Company respectively.

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. Chan Wai Dune (Chairman), Mr. Dong Shi and Mr. Wang Chin Mong. 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 2008, 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 paragraphs.

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.

The Board has not appointed individuals to the post of Chairman and Chief Executive Officer. The Board is in the process of identifying suitable candidates to fill in the vacancies for Chairman and Chief Executive Officer in compliance with the requirement of HKSE Code. Further announcement will be made by the Company with regard to the new appointment of Chairman and Chief Executive Officer of the Company in due course.

Appointments, Re-election and Removal

The code provision A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Mr. Lum Pak Sum and Mr. Kwok Chung Yin, whose appointments were before 1 July 2007, have not been appointed for a specific term and they have resigned as Directors with effect from 21 November 2008. All the existing Directors have been appointed for a specific term and are subject to retirement by rotation and re-election pursuant to the Company's bye-laws.

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 2008. 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 2008.

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 2008.

By Order of the Board
HENG XIN CHINA HOLDINGS LIMITED
Li Tao
Executive Director

Hong Kong, 13 February 2009

As at the date of this announcement, the Board comprises Mr. Li Tao, Mr. Xiao Yan, Ms. Yeung Sau Han Agnes and Ms. Yu Sau Lai as executive directors; Mr. Chan Wai Dune, Mr. Dong Shi and Mr. Wang Chin Mong 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.