HENGXIN
恒芯中國

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 8046)

FIRST QUARTERLY RESULTS ANNOUNCEMENT
For the three months ended 30 September 2011

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 GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to Heng Xin China Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and. there are no other matters the omission of which would make any statement herein or this announcement misleading.

* *For identification purposes only*

HIGHLIGHTS

- The Group recorded an unaudited revenue of approximately HK$175.4 million for the three months ended 30 September 2011, representing an increase of approximately 113.0% when compared with approximately HK$82.4 million for the corresponding period in 2010.
- During the quarter under review, the Group has recorded significant revenues from its digital cable television business and wireless digital television value-added services, the revenues from the wireless digital terrestrial television network equipment integration business ceased, while the revenues from the segments of encrypted integrated circuits and the wireless digital audio products remained stable when compare to that of the corresponding period of last year.
- The Group recorded an unaudited profit attributable to owners of the Company of approximately HK$61.6 million for the three months ended 30 September 2011, representing approximately 144.9% increase as compared to approximately HK$25.2 million for the corresponding period in 2010.
- Earnings per share of the Company was approximately HK 2.48 cents for the three months ended 30 September 2011 representing approximately 56.0% increase as compared to approximately HK 1.59 cents for the corresponding period in 2010.
- The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2011.

RESULTS

The board of Directors (the "Board") of Heng Xin China Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the three months ended 30 September 2011 together with the comparative unaudited figures for the corresponding period in 2010.

		Three months ended 30 September	
		2011	2010
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**175,425**	82,377
Cost of sales		**(60,245)**	(41,785)
Gross profit		**115,180**	40,592
Other income	*3*	**55**	1,497
Selling and marketing expenses		**(2,627)**	(1,207)
Other operating expenses		**(22,725)**	(9,236)
Finance costs		**(3,646)**	(4,425)
Profit before taxation	*4*	**86,237**	27,221
Taxation	*5*	**(24,591)**	–
Profit for the period		**61,646**	27,221
Other comprehensive income			
Exchange differences on translating foreign operations		**20,393**	6,567
Total comprehensive income for the period		**82,039**	33,788
Profit attributable to:			
Owners of the Company		**61,646**	25,171
Non-controlling interest		**–**	2,050
		61,646	27,221
Total comprehensive income attributable to:			
Owners of the Company		**82,039**	31,329
Non-controlling interest		**–**	2,459
		82,039	33,788
Earnings per share			
– basic		**2.48 cents**	1.59 cents
– diluted		**2.40 cents**	1.44 cents
Dividends	*7*	**–**	–

Notes:

1. **General information**

   The Company was incorporated as an exempted company with limited liability in Bermuda on 9 September 2002 under the Companies Act 1981 of Bermuda (as amended). The address of the registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

   The Company is an investment holding company. The shares of the Company have been listed on the GEM of the Stock Exchange since 16 April 2003.

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

2. **Basis of preparation and accounting policies**

   The unaudited consolidated results for the three months ended 30 September 2011 have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the GEM Listing Rules.

   The unaudited consolidated accounts have been prepared on the historical cost basis except for the financial instruments, which are measured at fair value. The accounting policies and methods of computation used in the preparation of the unaudited consolidated accounts are consistent with those used in the annual financial statements for the year ended 30 June 2011. These unaudited consolidated results should be read in conjunction with the Company's annual report for the year ended 30 June 2011. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 30 June 2012 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. Revenue

Revenue recognised by category during the three months ended 30 September 2011 are as follows:

	Three months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Digital cable television business	**48,390**	–
Wireless digital television value-added services	**51,565**	–
Encrypted integrated circuits and the derived integrated business	**27,519**	27,878
Wireless digital audio products business	**47,951**	30,803
Wireless digital terrestrial television network equipment integration business	**–**	23,696
	175,425	82,377
Other income		
Bank interest income	**55**	46
Sundry income	**–**	1,451
	55	1,497

4. Profit for the period

The Group's profit for the year has been arrived at after charging:

	Three months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	**59,552**	38,198
Depreciation	**944**	624
Exchange loss	**423**	72
Loss on fair value changes of financial assets at fair value through profit or loss	**4,260**	–
Operating lease charges		
– equipments and motor vehicles	**150**	406
– office premises	**1,354**	915
– staff quarter	**658**	120
Research and development costs	**2,242**	571
Staff costs (including Directors' emoluments)		
– salaries and allowances	**4,610**	3,266
– pension scheme contributions	**120**	53

5. Taxation

	Three months ended 30 September	
	2011	2010
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current tax:		
Hong Kong		
– charge for the period	**–**	–
Overseas		
– charge for the period	**24,591**	–
	24,591	–

The provision for Hong Kong profits tax for 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the year.

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

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

6. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the consolidated profit attributable to the owners of the Company of HK$61,646,000 (2010: HK$25,171,000) by the weighted average number of 2,487,092,000 (2010: 1,579,248,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the adjusted profit attributable to the owners of the Company of HK$65,216,000 (2010: HK$29,218,000) by the total of the weighted average number of ordinary shares of 2,717,488,000 (2010: 2,024,219,000) outstanding during the period, after adjusting for the effects of all dilutive potential ordinary shares.

The adjusted profit attributable to the owners of the Company is calculated based on the profit attributable to the owners of the Company for the period of HK$61,646,000 (2010: HK$25,171,000) as used in the calculation of basic earnings per share plus effective interest expenses on convertible notes of HK$3,570,000 (2010: 4,047,000).

The weighted average number of ordinary shares used in the calculation of diluted earnings per share is calculated based on the weighted average of 2,487,092,000 (2010: 1,579,248,000) ordinary shares in issue during the period as used in the calculation of basic earnings per share plus the weighted average of 1,573,000 (2010: 10,167,000) ordinary shares deemed to be issued at no consideration as if all the Company's share options had been exercised and the weighted average of 228,823,000 (2010: 434,804,000) ordinary shares deemed to be issued at no consideration as if all the Company's convertible notes had been converted.

The calculation of the diluted earnings per share did not assume the exercise of some of the Company's outstanding share options, convertible notes and warrants as their exercise prices were higher than the average market price of the Company's shares for the period.

7. Interim dividend

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2011 (2010: Nil).

8. Reserves

	Attributable to the owners of the Company							
	Share premium	**Capital reserve**	**Exchange fluctuation reserve**	**Other reserve**	**Share option reserve**	**Convertible notes reserve**	**Retained earnings**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2010	491,372	2,325	3,905	–	1,696	300,800	242,306	1,042,404
Total comprehensive income for the period	–	–	6,567	–	–	–	25,171	31,738
Issue of new shares	148,000	–	–	–	–	–	–	148,000
Share issue expenses	(1,809)	–	–	–	–	–	–	(1,809)
Share options exercised	946	–	–	–	(9)	–	–	937
At 30 September 2010	638,509	2,325	10,472	–	1,687	300,800	267,477	1,221,270
At 1 July 2011	**1,107,946**	**2,325**	**40,861**	**(79,992)**	**11,215**	**134,254**	**444,248**	**1,660,857**
Total comprehensive income for the period	**–**	**–**	**20,393**	**–**	**–**	**–**	**61,646**	**82,039**
At 30 September 2011	**1,107,946**	**2,325**	**61,254**	**(79,992)**	**11,215**	**134,254**	**505,894**	**1,742,896**

MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial review

For the three months ended 30 September 2011, the Group recorded a consolidated revenue of approximately HK$175.4 million, representing an increase of approximately 113.0% when compared to approximately HK$82.4 million for the corresponding period in the last financial year.

Other operating expenses amounted to approximately HK$22.7 million for the three months ended 30 September 2011, representing an increase of 146.7% when compared to HK$9.2 million for the three months ended 30 September 2010. The increase of the other operating expenses was due to the accounting for the loss on fair value changes of marketable securities of approximately HK$4.3 million, increase in research and development costs, legal and professional costs and generation administration costs as a result of the expansion of business.

Finance costs mainly represent non-cash effective interest expenses on convertible notes of HK$3.6 million (2010: HK$4.0 million).

The profit attributable to owners of the Company amounted to approximately HK$61.6 million for the three months ended 30 September 2011, representing an increase of approximately 144.9% when compared to approximately HK$25.2 million in the corresponding period in the previous financial year. Basic earnings per share was approximately HK2.48 cents, representing an increase of approximately 56.0% when compared to approximately HK1.59 cents for the corresponding period of the last year.

As at 30 September 2011, the cash and bank balances of the Group amounted to approximately HK$189.2 million (30 June 2011: HK$288.5 million). The fund was mainly used for the implementation of the digital cable television business and wireless digital television value-added services. The gearing ratio of the Group, calculated as total borrowings over shareholders' funds, was approximately 0.01 (30 June 2011: 0.01).

Business review

The Group continues to put in enormous efforts in developing its principal businesses during the three months ended 30 September 2011, focusing particularly on last year's established cable digital television business. During the quarter under review, the Group has recorded significant revenues from its digital cable television business and wireless digital television value-added services, the revenues from the wireless digital terrestrial television network equipment integration business ceased, while the revenues from the encrypted integrated circuits and the wireless digital audio products and their respective derived integrated businesses remained stable when compared to that of the corresponding period of last year.

(i) Digital cable television business

The revenue for the three months ended 30 September 2011 generated from the digital cable television business amounted to approximately HK$48.4 million (2010:Nil) or approximately 28% (2010: Nil) of the total revenue.

During the first quarter ended 30 September 2011, the Group's network construction of three networks integration gained momentum and generated higher revenue from the businesses of television broadcasting operation in rural areas. Revenue from sales of approximately RMB36.0 million in total was recorded for this quarter, including revenue from 300,000 new subscribers for the television network in rural areas of Hebei. The Group also recorded operating income from share of basic subscription and other income from value-added technologies and market services of RMB3.9 million in total.

The addition of 300,000 television broadcasting subscribers in the rural areas of Hebei was completed during the first quarter of FY 2011/2012. The accumulation of 800,000 subscribers ensures the successful completion of the plan to have one million subscribers in Hebei in 2011. In addition to the continuous and steady development of the markets in Anhui and Hebei, the Group also developed the basic business of television broadcasting in the Shanxi market during the first quarter of FY 2011/2012, realizing new breakthrough and achievement.

For the network construction of three networks integration, as at 30 September 2011, the Group has invested approximately RMB70 million in the two-way network conversion in such pilot cities as Suzhou, Bozhou, Huainan and Huaibei. The two-way network conversion covers nearly 400,000 subscribers, with the addition of nearly 20,000 broadband subscribers and 7,000 interactive television subscribers. The network conversion in pilot cities is expected to be completed in the next quarter, covering approximately 600,000 subscribers by then. Currently, various packages of two-way value-added services are already designed and trial operation has been launched.

The Group will actively introduce such new business of cable two-way network as HD, PUSH VOD and HD pay-channels to increase the revenue from the two-way businesses. The Group will also strengthen its relationship with the media information content providers to lower the content cost, enrich the content of the two-way value-added businesses and strengthen the subscribers' loyalty.

In addition to the continuous development of the markets in Anhui, Hebei, Jiangxi and Shanxi, the Company aggressively explored the markets in Jiangsu, Shaanxi and Shandong provinces during the first quarter of FY 2011/2012, and expects to realize new breakthrough and achievement in the next quarter.

The Group will make more investment in research and development. During the fourth quarter of FY2010/2011, the Company obtained two software certifications and has become a software enterprise in Shenzhen. During this quarter, the Group submitted an application for the recognition as an enterprise of new and high technology which is now under review, and the Group's subsidiaries in Hebei and Beijing also obtained two software qualifications for enterprises.

(ii) Wireless digital television value-added services

The revenue for the three months ended 30 September 2011 generated from the wireless television value-added services amounted to approximately HK$51.6 million (2010: Nil) or approximately 29% (2010: Nil) of the total revenue.

During the first quarter of FY 2011/2012, the Group signed contracts on wireless digital television operation in Hebei province to install 60,000 display panels in public areas in three years in the entire Hebei province. Currently, there are 6,000 display panels. Having obtained the 15-year operation right for the advertising value-added business, the Group recorded its first income of RMB20 million from advertising for this quarter and we anticipate that the Group will realize new breakthrough and achievement in the next quarter.

The Group has also entered into a 10-year cooperation agreement pursuant to which the parties agreed to jointly operate and develop the advertising business and value-added services of the digital wireless television project and 60,000 electronic displays in Hebei province. Under the agreement, the Group would receive a cooperation development fee of RMB200 million (equivalent to approximately HK$244 million) in two installments to accelerate the development of the project. Up to 30 September 2011, the Group has received RMB100 million (equivalent to approximately HK$122 million) for running this business.

The Group launched a house call service for the distance health care center of 301 Hospital during the first quarter of FY 2011/2012, which is also expected to see breakthrough in the next quarter.

(iii) Encrypted integrated circuits and the derived integrated business

The revenue for the three months ended 30 September 2011 generated from the information safety products business and the related technical services amounted to approximately HK$27.5 million (2010: HK$27.9 million) or approximately 16% (2010: 34%) of the total revenue. For the sales of set-top boxes, the accumulated sales for this quarter was 80,000 set-top boxes and related products. Revenue from sales of software only amounted to RMB 3 million as a result of the decrease of market demand during this quarter. Sale revenue from the provision of outsourcing development services to clients, which rides on the Group's advantages in research and development, amounted to RMB 4 million. As for cable television product market, with the assistance of externally engaged market and technology experts, the Group has developed new distribution channels for the technology development and services market, which set up a solid platform for further sales in the cable market. The Hubei Haixin (湖北海信) project is progressing well for now and will commence to make delivery of the products soon. As for communication products, we have won the bid for the procurement of FTTH products from the branch company of China Unicom in Jilin Province, and we are now preparing for making delivery of the products. As for the system integration projects, we have won the bids from Beihang University, China Southern Airlines and Xinhua Airlines. Those projects are progressing well and higher revenue will be expected when the projects are completed.

(iv) Wireless digital audio products business

The revenue for the three months ended 30 September 2011 generated from the wireless digital audio products business and the related technical services amounted to approximately HK$48.0 million (2010: HK$30.8 million) or approximately 27% (2010: 37%) of the total revenue, which was mainly attributable to the revenue from clients in Mainland. However, during the first quarter of FY 2011/2012, the demand from overseas customers in this business segment further increased as a result of the stronger demand from overseas market. The Group's market share has been growing correspondingly with the expanding scale of cooperation with the domestic and overseas clients over the past few years. This has provided the Group with high prospects of revenue and profit growth in future.

(v) Wireless digital terrestrial television network equipment integration business

During the first quarter ended 30 September 2011, the Group did not record any revenue from the construction project of the wireless digital terrestrial television operating platform (2010: HK$23.7 million). During the first quarter of FY 2011/2012, with the gradual shift in the overall direction of the Group's core business from wireless television business to cable television, we suspended some of our businesses for a smooth business transformation. This resulted in a substantial decrease in the overall sales and profit in this business segment as compared to those of the last quarter. We continued to increase our effort to recover trade receivables and the result was significant.

Prospects

The Group shall devote its resources to rapidly complete the overall transformation to cable television business, and commence value added business in the cable television and wireless television when conditions permit. The goal is to generate a diversed stable and long-lasting stream of revenue. At this transformation stage and particularly due to resource constraints to cope with significant growth, it is inevitable to re-prioritise projects. Higher commitments to certain projects may lead to decrease in revenue in others during the period of transformation.

The Group will also increase the investment in research and development, production, and sales in digital television two-way conversion products, and strive for better economic efficiencies. The Group will continue to joint- or self- develop more products targeted at the three largest operators, so as to expand the profit drivers.

As a comprehensive supplier of wireless short-distance products from circuits to solutions, the Group's export sales for the first quarter increased significantly as compared to those for the same period of last year due to the recovery of the export markets. We have seen orders for mass production from new projects during the first quarter of FY2011/2012, and many enterprises are exploring new profit driver after the financial crisis. The number of new customers in the export segment of the Group has been significantly increased. It is expected that the Group can greatly expand its market share. Among all, Apple accessories project will become a highlight to the Group's business growth. The Group has been planning to explore the domestic market to expand the domestic market share before it suffered from the adverse impact on the export market, and has achieved remarkable results in terms of market shares and sales volume, which will be a great start for the domestic sales market. The Group will strive to enter into new consumer and automotive electronics markets in order to bring a new and rapid profit driver for the Group.

The Board announced that the Company had submitted a formal application form to the Stock Exchange on 24 October 2011 for the proposed transfer of listing of its shares from GEM to the Main Board of the Stock Exchange. The Directors believe that listing of its shares on the Main Board will enhance the profile of the Group and could improve trading liquidity of its Shares. The Directors also consider that listing of its shares on the Main Board will be beneficial to the future growth, financing flexibility and business development of the Group. Based on these achievements, the Group will further strengthen the operating management of existing businesses and input greater resources into the market development.

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

As at 30 September 2011, 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	**Capacity**	**Number of shares**	**Number of underlying shares** *(Note)*	**Approximate percentage of interests in the issued share capital**
Mr. Xiao Yan	Beneficial owner	–	3,773,334	0.15%
Mr. Feng Yongming	Beneficial owner	–	1,500,000	0.06%
Mr. Li Tao	Beneficial owner	–	1,500,000	0.06%
Mr. Xu Lei	Beneficial owner	–	800,000	0.03%
Mr. Leung Wo Ping	Beneficial owner	–	800,000	0.03%
Mr. Dong Shi	Beneficial owner	–	800,000	0.03%
Mr. Hu Dingdong	Beneficial owner	–	800,000	0.03%

Note:

Underlying shares represent share options granted to the Directors and the chief executive of the Company pursuant to share option scheme adopted by the Company on 13 March 2003.

Save as disclosed above, at no time during the three months ended 30 September 2011 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and the chief executive of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or its associated corporation.

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

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 30 September 2011, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Interests in the shares and underlying shares of the Company

Name of shareholder	Number or attributable number of shares or underlying shares held	Type of interests	Approximate percentage of interests
Choi Chung Lam *(Note 1)*	623,690,451 (L)	Interest in controlled corporation	25.08%
Team Effort Investments Limited *(Note 1)*	623,690,451 (L)	Beneficial owner	25.08%
Li Haoping *(Note 2)*	403,863,306 (L)	Interest in controlled corporation	16.24%
Lomond Group Limited *(Note 2)*	357,724,863 (L)	Interest in controlled corporation	14.38%
Easy Mount Enterprises Limited *(Note 2)*	319,224,863 (L)	Beneficial owner	12.83%

L: Long Position

Notes:

1. Team Effort Investments Limited is wholly owned by Mr. Choi Chung Lam. Mr. Choi Chung Lam is deemed to be interested in the shares held by Team Effort Investments Limited.

2. Easy Mount Enterprises Limited ("Easy Mount") is a company incorporated in the BVI with limited liability. The entire issued share capital of Easy Mount is owned as to 85% by Lomond Group Limited ("Lomond Group") and 15% by Mr. Ho Wai Jung. Lomond Group and Mr. Li are deemed to be interested in the 319,224,863 shares to be issue upon the exercising of the conversion rights attaching to convertible notes. The convertible notes are part of the consideration issued to Easy Mount upon satisfaction of certain conditions pursuant to a sale and purchase agreement in relation to shares of Star Hub Investments Limited entered by the Company, among others, and Easy Mount on 19 June 2008. The convertible note is transferable provided that each of the transfer shall not be less than HK$5,000,000.00 or its multiples. Mr. Li is also deemed to be interested in the 38,500,000 shares held by Lomond Group and 46,138,443 shares held by Wealtheme Limited. Both Lomond Group and Wealtheme Limited are wholly owned by Mr. Li.

Save as disclosed above, as at 30 September 2011, the Directors or the chief executive of the Company were not aware of any other person (other than the Directors or the chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company under Section 336 of the SFO.

EMPLOYEE SHARE OPTION SCHEME

Details of the employee share option scheme approved by the then sole shareholder of the Company on 13 March 2003 were disclosed in the annual report of the Company for the year ended 30 June 2011. The following shows the outstanding positions of the eligible persons as at 30 September 2011 with respect to their share options granted under the scheme:

	Number of Shares *(Note)*								
Participants	**As of 1 July 2011**	**Granted during the period**	**Exercised during the period**	**Cancelled during the period**	**Lapsed during the period**	**As of 30 September 2011**	**Date of grant**	**Exercise period**	**Exercise price per share** *HK$*
Directors									
Mr. Xiao Yan	2,273,334	–	–	–	–	2,273,334	18/02/2009	18/03/2009-17/03/2012	0.358
	1,500,000	–	–	–	–	1,500,000	13/04/2011	14/05/2011-12/03/2013	1.54
Mr. Feng Yongming	1,500,000	–	–	–	–	1,500,000	13/04/2011	14/05/2011-12/03/2013	1.54
Mr. Li Tao	1,500,000	–	–	–	–	1,500,000	13/04/2011	14/05/2011-12/03/2013	1.54
Mr. Xu Lei	800,000	–	–	–	–	800,000	13/04/2011	14/05/2011-12/03/2013	1.54
Mr. Leung Wo Ping	800,000	–	–	–	–	800,000	13/04/2011	14/05/2011-12/03/2013	1.54
Mr. Dong Shi	800,000	–	–	–	–	800,000	13/04/2011	14/05/2011-12/03/2013	1.54
Mr. Hu Dingdong	800,000	–	–	–	–	800,000	13/04/2011	14/05/2011-12/03/2013	1.54
Subtotal	9,973,334	–	–	–	–	9,973,334			
Other participants	22,300,000	–	–	–	–	22,300,000	13/04/2011	14/05/2011-12/03/2013	1.54
Total	32,273,334	–	—	–	–	32,273,334			

Note:

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

LITIGATION

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

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

The Company filed its defence on 28 March 2008 and witness statement on 30 July 2009. The 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. Hearing for directions took place on 14 February 2011 before the Court. However, the parties have been unable to complete settlement within 28 days from the date of the above hearing. On 11 May 2011, the parties have fixed the adjourned trial for about 7 days from 4 January 2012. Based on the advice from the Group's legal counsel, 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 Directors are of the view that the Company has a valid defence to the claims and, accordingly, have not made provision for any claim arising from the litigation, other than the related legal and outgoing costs.

Save as disclosed above, the Group was not engaged in any litigation or arbitration or claims of material importance which is known to the Directors to be pending or threatened by or against the Group as at 30 September 2011.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. As of the date, the audit committee comprises three independent non-executive Directors, namely, Mr. Leung Wo Ping JP (Chairman), Mr. Dong Shi and Mr. Hu Dingdong. The duties of the audit committee include reviewing the Group's annual reports and accounts, half-yearly reports and quarterly reports and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the financial reporting process and internal control procedures of the Company, and to review the appointment of external auditors on an annual basis as well as to ensure independence of the continuing auditor.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its Code of Conduct for Securities Transactions by Directors throughout the three months ended 30 September 2011. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by Directors during the three months ended 30 September 2011.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 September 2011.

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

Hong Kong, 11 November 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.