



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 2012

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

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This announcement, for which the directors of Heng Xin China Holdings Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) for the purpose of giving information with regard to Heng Xin China Holdings Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

* For identification purposes only

HIGHLIGHTS

- The Group recorded an unaudited turnover of approximately HK\$500.2 million for the nine months ended 31 March 2012, representing a decrease of approximately 4.1% when compared with that of the corresponding period in 2011.
- The Group recorded an unaudited profit attributable to the owners of the Company of approximately HK\$170.5 million for the nine months ended 31 March 2012, representing an increase of approximately 12.6% as compared to approximately HK\$151.5 million for the corresponding period in 2011.
- Earnings per share of the Company was approximately HK\$0.0685 for the nine months ended 31 March 2012, representing a decrease of approximately 10.9% as compared to approximately HK\$0.0769 for the corresponding period in 2011.
- The Board does not recommend the payment of an interim dividend for the nine months ended 31 March 2012.

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 2012 together with the comparative unaudited figures for the corresponding periods in 2011.

		Three months ended 31 March		Nine months ended 31 March	
		2012	2011	2012	2011
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	3	79,056	203,542	500,191	521,706
Cost of sales		(30,502)	(122,664)	(269,606)	(326,681)
Gross profit		48,554	80,878	230,585	195,025
Other income	3	33,899	17,788	66,711	25,844
Selling and marketing expenses		(1,593)	(1,178)	(18,982)	(3,627)
Other operating expenses		(19,741)	(17,710)	(62,313)	(38,321)
Finance costs	4	(3,544)	(3,766)	(10,851)	(12,628)
Profit before taxation	5	57,575	76,012	205,150	166,293
Taxation	6	(8,304)	(7,991)	(34,651)	(14,828)
Profit for the period attributed to owners of the Company		49,271	68,021	170,499	151,465
Other comprehensive income					
Exchange differences on translating foreign operations		7,129	5,179	30,507	22,523
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTED TO OWNERS OF THE COMPANY		56,400	73,200	201,006	173,988
Earnings per share	7				
— basic		1.98 cents	2.74 cents	6.85 cents	7.69 cents
— diluted		1.98 cents	2.59 cents	6.71 cents	6.67 cents
Dividends	8	—	—	—	—

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 terrestrial television network equipment integrated business, wireless digital television value-added services, research, design, development on and manufacturing of electronic message security products, integrated circuits, and the integrated circuit solutions and the related services.

2. Basis of preparation and accounting policies

The unaudited consolidated financial statements for the nine months ended 31 March 2012 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 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 2011. These unaudited consolidated financial statements 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 financial statements have not been audited by the auditors of the Company, but have been reviewed by the Company’s audit committee and were approved for issue by the Board.

3. Revenue

Revenue recognised by category during the three months and nine months ended 31 March 2012 are as follows:

	Three months ended		Nine months ended	
	31 March		31 March	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue				
Digital cable television business	38,440	42,543	112,062	71,557
Wireless digital television value-added services	8,849	—	60,414	—
Wireless digital terrestrial television network equipment integration business	369	78,785	125,883	176,891
Encrypted integrated circuits and the derived integrated business	1,845	14,223	46,134	93,928
Wireless digital audio products business	29,553	67,991	155,698	179,330
	<u>79,056</u>	<u>203,542</u>	<u>500,191</u>	<u>521,706</u>
Other income				
Bank interest income	129	159	667	236
Gain on disposal of intangible assets	33,547	—	64,703	—
Realised gain on trading of listed securities	—	9,525	—	10,236
Sundry income	223	8,104	1,341	15,372
	<u>33,899</u>	<u>17,788</u>	<u>66,711</u>	<u>25,844</u>

4. Finance costs

	Three months ended		Nine months ended	
	31 March		31 March	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Effective interest expenses on convertible notes	3,532	3,493	10,672	11,646
Interest element of finance leases	12	21	44	67
Interest on loan from a shareholder	—	—	135	354
Interest on bank loans	—	252	—	561
	<u>3,544</u>	<u>3,766</u>	<u>10,851</u>	<u>12,628</u>

5. Profit before taxation

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

	Three months ended		Nine months ended	
	31 March		31 March	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Cost of inventories recognised as expense	65,808	120,825	304,047	322,293
Depreciation	982	569	2,634	1,622
Exchange loss	25	—	2,425	—
Loss on fair value changes of financial assets at fair value through profit or loss	480	—	4,650	—
Operating lease charges on office premises	2,481	676	4,857	2,473
Research and development costs	3,207	877	9,203	2,778
Staff costs (including Directors' emoluments)				
— salaries and allowances	5,680	4,281	15,115	11,309
— pension scheme contributions	207	16	745	45
	<u>65,808</u>	<u>120,825</u>	<u>304,047</u>	<u>322,293</u>

6. Taxation

	Three months ended		Nine months ended	
	31 March		31 March	
	2012	2011	2012	2011
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current tax:				
Hong Kong				
— charge for the period	—	—	—	—
Overseas				
— charge for the period	8,304	7,991	34,651	14,828
	<u>8,304</u>	<u>7,991</u>	<u>34,651</u>	<u>14,828</u>

The provision for Hong Kong profits tax for the nine months ended 31 March 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profits for the period.

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

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

7. Earnings per share

(a) *Basic*

Basic earnings per share for the three months ended 31 March 2012 is calculated by dividing the consolidated profit attributable to the owners of the Company for the three months ended 31 March 2012 of HK\$49,271,000 (2011: HK\$68,021,000) by the weighted average number of 2,487,592,000 (2011: 2,483,493,000) ordinary shares in issue during the period.

Basic earnings per share for the nine months ended 31 March 2012 is calculated by dividing the consolidated profit attributable to the owners of the Company for the nine months ended 31 March 2012 of HK\$170,499,000 (2011: HK\$151,465,000) by the weighted average number of 2,487,257,000 (2011: 1,970,528,000) ordinary shares in issue during the period.

(b) *Diluted earnings per share*

Diluted earnings per share for the three months ended 31 March 2012 is calculated by dividing the adjusted profit attributable to the owners of the Company for the three months ended 31 March 2012 of HK\$52,802,000 (2011: HK\$71,514,000) by the total of the weighted average number of ordinary shares of 2,671,455,000 (2011: 2,758,073,000) 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 for the three months ended 31 March 2012 is calculated based on the profit attributable to the owners of the Company for the period of HK\$49,271,000 (2011: HK\$68,021,000) as used in the calculation of basic earnings per share plus effective interest expenses on convertible notes of HK\$3,531,000 (2011: HK\$3,493,000).

Diluted earnings per share for the nine months ended 31 March 2012 is calculated by dividing the adjusted profit attributable to the owners of the Company for the nine months ended 31 March 2012 of HK\$181,170,000 (2011: HK\$163,111,000) by the total of the weighted average number of ordinary shares of 2,698,797,000 (2011: 2,445,163,000) 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 for the nine months ended 31 March 2012 is calculated based on the profit attributable to the owners of the Company for the period of HK\$170,499,000 (2011: HK\$151,465,000) as used in the calculation of basic earnings per share plus effective interest expenses on convertible notes of HK\$10,672,000 (2011: HK\$11,646,000).

The weighted average number of ordinary shares used in the calculation of diluted earnings per share for the three months and nine months ended 31 March 2012 is calculated based on the weighted average of 2,487,592,000 (2011: 2,483,493,000) and 2,487,257,000 (2011: 1,970,528,000) ordinary shares in issue during the period as used in the calculation of basic earnings per share plus the weighted average of 949,000 (2011: 20,588,000) and 1,325,000 (2011: 21,859,000) 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 182,914,000 (2011: 253,992,000) and 210,215,000 (2011: 452,776,000) ordinary shares deemed to be issued at no consideration as if all the Company's convertible notes had been converted for the three months and nine months ended 31 March 2012 respectively.

The calculation of the diluted earnings per share for the three months and nine months ended 31 March 2012 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 prices of the Company's shares for the corresponding period.

8. Interim dividend

The Board does not recommend the payment of an interim dividend for the nine months ended 31 March 2012 (2011: Nil).

9. Reserves

	Unaudited							Total HK\$'000
	Attributable to the owners of the Company							
	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Other reserve HK\$'000	Share options reserve HK\$'000	Convertible notes reserve HK\$'000	Retained earnings HK\$'000	
Balance at 1 July 2010	491,372	2,325	3,905	—	1,696	300,800	242,306	1,042,404
Issue of new shares	252,315	—	—	—	—	—	—	252,315
Issue of convertible notes	—	—	—	—	—	14,917	—	14,917
Conversion of convertible notes	288,059	—	—	—	—	(181,463)	—	106,596
Bonus issue of shares as final dividend	(610)	—	—	—	—	—	—	(610)
Share options exercised	69,338	—	—	—	(1,480)	—	—	67,858
Share issue expenses	(2,295)	—	—	—	—	—	—	(2,295)
Recognition of share-based payments	—	—	—	—	669	—	—	669
Total comprehensive income for the nine months ended 31 March 2011	—	—	22,523	—	—	—	151,465	173,988
Balance at 31 March 2011	<u>1,098,179</u>	<u>2,325</u>	<u>26,428</u>	<u>—</u>	<u>885</u>	<u>134,254</u>	<u>393,771</u>	<u>1,655,842</u>
Balance at 1 July 2011	1,107,946	2,325	40,861	(79,992)	11,215	134,254	444,248	1,660,857
Share options exercised	1,006	—	—	—	215	—	—	791
Share issue expenses	—	—	—	—	—	—	—	—
Recognition of share-based payments	—	—	—	—	965	—	—	965
Total comprehensive income for the nine months ended 31 March 2012	—	—	30,507	—	—	—	170,499	201,006
Balance at 31 March 2012	<u>1,108,952</u>	<u>2,325</u>	<u>71,368</u>	<u>(79,992)</u>	<u>11,965</u>	<u>134,254</u>	<u>614,747</u>	<u>1,863,619</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial review

For the nine months ended 31 March 2012, the Group recorded a consolidated revenue of approximately HK\$500.2 million, representing a decrease of approximately 4.1% when compared to approximately HK\$521.7 million for the corresponding period in the last financial year.

Gross profit margin of the Group increased from approximately 37.4% for the corresponding period of last financial year to approximately 46.1% for the current nine-month period, resulting from the change of business mix.

Other income amounted to HK\$66.7 million for the nine months ended 31 March 2012, representing an increase of about 158.1% when compared to approximately HK\$25.8 million for the corresponding period of the last financial year. As far as the Group develops its businesses, the Group found that some of its intangible assets were not applicable to the Group's business. The Group therefore transferred its self-developed software and technology to its clients who need them, which substantially enhanced the sundry income for the nine months ended 31 March 2012.

Other operating expenses amounted to HK\$62.3 million for the nine months ended 31 March 2012, representing an increase of 62.6% when compared to approximately HK\$38.3 million for the corresponding period of the last financial year. The increase was principally due to the inclusion of the loss on fair value changes of securities held, the expansion of the digital cable television business units and the increase of research and developments costs and general administration costs such as staff salaries.

The profit attributable to owners of the Company amounted to approximately HK\$170.5 million for the nine months ended 31 March 2012, representing an increase of approximately 12.6% when compared to HK\$151.5 million over the corresponding period in the previous financial year. Basic earnings per share was approximately HK\$0.0685 for the nine months ended 31 March 2012, representing a decrease of approximately 10.9% compared to approximately HK\$0.0769 for the corresponding period of the last year.

As at 31 March 2012, the cash and bank balances of the Group amounted to approximately HK\$79.8 million, representing a decrease of approximately 47.7% when compared to approximately HK\$152.6 million as at 31 December 2011. Cash was mainly used for the purchases of components and equipment for the digital cable television business and inventories for resale. The gearing ratio of the Group, calculated as total borrowings over total assets, was approximately 0.002 (31 March 2011: 0.008).

As at 31 March 2012, the trade receivables amounted to approximately HK\$558.3 million representing a decrease of approximately 8.8% when compared to approximately HK\$612.3 million as at 31 December 2011. During the three months ended 31 March 2012, approximately HK\$91.8 million of trade receivables as at 31 December 2011 was settled. The Group will continue to strengthen the collection of its trade receivables. With generally poor financial environment, the Group has been adopting flexible collection methods, and has made good progress on the collection of debts by gaining in-depth knowledge of the problems of the Group's clients and providing continual better value-added services to the customers of its clients so as the Group's clients could collect their debts from their customers. It is expected that this will be proved to be more effective in the next quarter.

Business review

To adapt to the national “three networks integration” policies, the Group has been transforming from a wireless digital television equipment integrator to an operator of television broadcasting integrated businesses since 2010. With the business expansion and active operation in 2011, the Group has already obtained the operation rights on 9.2 million cable television subscribers in such provinces as Jiangxi, Anhui, Hebei and Shanxi for a term of 12 to 15 years, and the operation rights on the wireless television business in Hebei province. The Group has fully completed its transformation, and has established its position as an operator of television broadcasting integrated businesses in the industry.

(i) *Digital cable television business*

The Group has achieved stable progress for its network construction project in the integration of the three networks and greater than expected revenue for the digital cable television operational business in rural areas. The revenues in the nine months ended 31 March 2012 amounted to approximately HK\$112.1 million (around 23% of the total revenue of the Group). The revenue comprised operational revenues from basic subscription and other value added technology as well as market service income arising from the 1,000,000 subscribers of the Hebei rural television network and sales of digital cable television business related products. The basic network construction for 400,000 subscribers of broadcasting television in the rural areas is underway and expected to be completed in the first half of 2012.

For the cable television business related product market, the sales performance was partially affected due to holidays in the first quarter of 2012, which is basically normal for the market. With the assistance of externally engaged market and technology experts, the Group has made steady progress on the development of client channels for the technology development, products and services, which set up a solid platform for further sales of products in the cable market. The Group won the bid for supply of MOCA products in Ningxia Autonomous Region (throughout the province), and will commence the supply in the next quarter. The demand from other existing clients declined this quarter, and it is expected to substantially increase in the next quarter.

The Group’s existing operation right on value-added business covers areas such as Anhui and Nanchang of Jiangxi province. The Group has signed contracts on establishment and operation of value-added business for 5.5 million cable television subscribers. In Hebei province and Datong of Shanxi province, the Group has signed contracts on establishment and operation of basic television business for 3.7 million cable television subscribers. During the first quarter of 2012, the Group has completed the building of platform and testing for the 301 remote medical treatment project and the Group will enjoy the revenue from such project very soon.

(ii) *Wireless digital television value-added services*

Revenue for the nine months ended 31 March 2012 amounted to approximately HK\$60.4 million or 12% of the total revenue. The Group has signed contracts on wireless mobile digital television operation in Hebei province, which includes operation for value-added businesses such as 6,000 advertising display panels in public areas. During the first quarter of 2012, the Group has completed the construction of 1,000 display panels in public areas and the convenience payment project throughout Hebei province cooperated with 河北省一卡通 (Hebei One-Card) and 北京海科融通 (Beijing Haike Rongtong) stepped into the stage of implementation.

(iii) *Wireless digital terrestrial TV network equipment integration business*

Approximately HK\$125.9 million or 25% of the total revenue of the Group in the nine months ended 31 March 2012 was derived from the construction projects of the wireless digital terrestrial television operating platform and the sales of related products. Steady progress has been made on the sales of set-top boxes during the third quarter ended 31 March 2012.

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

The revenue for the nine months ended 31 March 2012 generated from the encrypted integrated circuits and the derived integrated business and the related technical services amounted to approximately HK\$46.1 million or approximately 9% of the total revenue. During the third quarter ended 31 March 2012, the revenue from software sales and technical solution provision of this segment was materially affected due to less market demands and development cycle issues.

(v) *Wireless digital audio products business*

The revenue for the nine months ended 31 March 2011 generated from the wireless digital audio products business and the related technical services amounted to approximately HK\$155.7 million or approximately 31% of the total revenue. During the first quarter of 2012, the demand from both domestic and overseas markets was mediocre. The Group's market share has been growing correspondingly with the expanding scale of cooperation with the domestic and overseas customers over the past few years. This has provided the Group with an effective protection of high revenue as well as a profit driver in future.

Prospects

The business plan of the Group for the future is to develop as the top three operators of television broadcasting integrated businesses in the PRC. The Group will engage in full-scale basic television broadcasting business, television broadcasting value added business and wireless television broadcasting business as well as satellite business according to the characteristics of the broadcasting television subscribers in different regions in mainland China.

The second quarter of 2012 is a quarter of continuing success of the Group's broadcasting operational business. The Group will reinforce, set up and properly operate the networks for its contracted broadcasting television subscribers, build a foundation for achieving the overall objectives of development of the Group, and more importantly, obtain some new cooperation opportunities in other provinces with further expansion of businesses in the existing cooperation provinces.

With the current progress of network construction, it is expected that the construction of network for around 1.7 million cable basic broadcasting television subscribers and cable value-added broadcasting television subscribers and 30,000 electronic signboards within the contracted regions will be completed by 2012. Moreover, approximately 3 million new broadcasting television subscribers will be entered into contracts, generating a promising growth in profit and long-term value for the Group.

The Group will also continue to increase the investment in research and development, production and sales services in digital cable television related products, and strive for better economic efficiencies.

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 2012, 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	underlying shares (Note)	Approximate percentage of interests in the issued share capital
Mr. Xiao Yan	Beneficial owner	2,273,334	1,500,000	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 the share option scheme adopted by the Company on 13 March 2003.

Save as disclosed above, at no time during the nine months ended 31 March 2012 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 2012, 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>)	623,542,451 (L)	Interest in controlled corporation	25.05%
Team Effort Investments Limited (<i>Note 1</i>)	623,542,451 (L)	Beneficial owner	25.05%
Li Haoping (<i>Note 2</i>)	403,863,306 (L)	Interest in controlled corporation	16.22%
Lomond Group Limited (<i>Note 2</i>)	357,724,863 (L)	Interest in controlled corporation	14.37%
Easy Mount Enterprises Limited (<i>Note 2</i>)	319,224,863 (L)	Beneficial owner	12.82%

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. 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 and Mr. Li Haoping are deemed to be interested in the 319,224,863 shares to be issued upon the exercising of the conversion rights attaching to convertible notes. Mr. Li Haoping is also deemed to be interested in the 38,500,000 shares held by Lomond Group Limited and 46,138,443 shares held by Wealtheme Limited. Both Lomond Group Limited and Wealtheme Limited are wholly owned by Mr. Li Haoping.

Save as disclosed above, as at 31 March 2012, the Directors or chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company under Section 336 of the SFO.

EMPLOYEE SHARE OPTION SCHEME

Details of the employee share option scheme (“Share Option Scheme”) approved by the then sole shareholder of the Company on 13 March 2003 were disclosed in the annual report of the Company for the year ended 30 June 2011. A new employee share option scheme has been approved by the shareholders of the Company in the Company’s annual general meeting held on 30 December 2011. Details of which were set out in the Company’s circular dated 28 November 2011. The following shows the outstanding positions of the eligible persons as at 31 March 2012 with respect to their share options granted under the scheme:

Participants	Number of Shares <i>(Note)</i>					As of 31 March 2012	Date of grant	Exercise period	Exercise price per share <i>HK\$</i>
	As of 1 July 2011	Granted during the period	Exercised during the period	Cancelled during the period	Lapsed during the period				
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	–	(2,273,334)	–	–	7,700,000			
Other participants	22,300,000	–	–	–	–	22,300,000	13/04/2011	14/05/2011- 12/03/2013	1.54
	–	3,000,000	–	–	–	3,000,000	29/02/2012	01/03/2013- 29/02/2016	0.83
Total	32,273,334	3,000,000	(2,273,334)	–	–	33,000,000			

Note:

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

LITIGATION

The Company was served on 20 December 2007 a writ of summons (the “Writ”) whereby Mr. Chan Hak Kim, the plaintiff (the “Plaintiff”) is claiming against Precision Assets Limited, being the first defendant, Mr. Tony Hoo, being the second defendant (the “2nd Defendant”) and the Company, being the third defendant (together 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 together with interest and costs by way of two cheques of the Company each being in the amount of HK\$2,500,000 respectively dated 30 June 2007 and 31 October 2007 given to the Plaintiff by the 2nd Defendant which were dishonoured due to account close; and (2) against the Defendants jointly and severally damages in the sum of HK\$25,000,000 and further or in the alternative, the total sum of HK\$5,000,000 due under the afore-mentioned cheques together with interest and costs.

The Plaintiff discontinued his claim against the Company and filed the notice of discontinuance on 22 November 2011. On 13 March 2012, the Company and the Plaintiff have entered into a consent order whereby the Plaintiff shall pay the Company a total sum of HK\$850,000 in full and final settlement of the Company’s costs (including interests and thereon) and disbursements in this case by way of two instalments on 10 April 2012 and 31 May 2012 respectively. The Plaintiff has failed to pay the first instalment in the sum of HK\$450,000 and breached the consent order. The Company is now proceeding to recover the whole sum of HK\$850,000 from the Plaintiff.

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 2012.

DIRECTORS’ INTEREST IN COMPETING BUSINESS

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

AUDIT COMMITTEE

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

The duties of the audit committee include reviewing the Group’s annual reports and accounts, half-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 2012. 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 2012.

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 2012.

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

Hong Kong, 11 May 2012

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.