



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

(Incorporated in Bermuda with limited liability)
(於百慕達註冊成立之有限公司)

(Stock Code 股份代號 : 8046)

2010/2011

First Quarterly Report
第一季業績報告

* For identification purpose only 僅供識別

IMPORTANT NOTICE

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 of the Stock Exchange 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 take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, 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 report 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 report misleading.

重要事項

香港聯合交易所有限公司（「聯交所」）創業板（「創業板」）之特色

創業板的定位乃為相比起其他在聯交所上市之公司帶有較高投資風險之公司提供一個上市之市場。有意投資之人士應瞭解投資於該等公司之潛在風險，並應經過審慎周詳之考慮後方作出投資決定。創業板之較高風險及其他特色表示創業板較適合專業及其他經驗豐富之投資者。

由於創業板上市公司新興之性質使然，在創業板買賣之證券可能會較於主板買賣之證券承受較大市場波動風險，同時無法保證在創業板買賣之證券會有高流通量之市場。

香港交易及結算所有限公司及聯交所對本報告之內容概不負責，對其準確性或完整性亦無發表聲明，且明確表示不會就本報告全部或任何部份內容而產生或因倚賴該等內容而引致之任何損失承擔任何責任。

本報告乃遵照香港聯合交易所有限公司創業板證券上市規則（「創業板上市規則」）之規定提供有關本公司之資料。恒芯中國控股有限公司各董事（「董事」）對本報告所載資料願共同及個別承擔全部責任。各董事在作出一切合理查詢後確認，就彼等所深知及確信本報告所載資料在各重要方面均屬準確完整，且無誤導或欺詐成份，且並無遺漏其他事項，致使本報告所載或本文件之內容有所誤導。

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 2010 together with the comparative unaudited figures for the corresponding period in 2009.

業績

恒芯中國控股有限公司（「本公司」）董事會（「董事會」）欣然公佈本公司及其附屬公司（統稱「本集團」）截至二零一零年九月三十日止三個月之未經審核綜合業績，連同二零零九年同期之未經審核比較數字如下：

			Three months ended 30 September 截至九月三十日止三個月	
			2010 二零一零年 (Unaudited) (未經審核) HK\$'000 千港元	2009 二零零九年 (Unaudited) (未經審核) HK\$'000 千港元
Turnover	營業額	3	82,377	179,710
Cost of sales	銷售成本		(41,785)	(120,987)
Gross profit	毛利		40,592	58,723
Other income	其他收入	3	1,497	280
Selling and marketing expenses	銷售及市場推廣開支		(1,207)	(878)
Other operating expenses	其他經營費用		(9,236)	(9,691)
Profit from operations	經營溢利		31,646	48,434
Finance costs	融資成本		(4,425)	(423)
Profit before taxation	除稅前溢利	4	27,221	48,011
Taxation	稅項	5	–	(853)
Profit for the period	期內溢利		27,221	47,158
Other comprehensive income	其他全面收入			
Exchange differences on translating foreign operations	換算海外業務之匯兌差額		6,567	354
Total comprehensive income for the period	期內全面收入總額		33,788	47,512
Profit attributable to:	應佔溢利：			
Equity holders of the Company	本公司股權持有人		25,171	43,702
Non-controlling interest	非控股股東權益		2,050	3,456
			27,221	47,158
Total comprehensive income attributable to:	應佔全面收入總額：			
Equity holders of the Company	本公司股權持有人		31,329	44,037
Non-controlling interest	非控股股東權益		2,459	3,475
			33,788	47,512
Earnings per share attributable to equity holders of the Company	本公司股權持有人應佔每股盈利	6		
– basic	– 基本		1.59 cents 仙	2.77 cents 仙
– diluted	– 攤薄		1.44 cents 仙	2.77 cents 仙
Dividends	股息	7	–	–

Notes:

附註：

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited consolidated results for the three months ended 30 September 2010 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 2010. These unaudited consolidated results should be read in conjunction with the Company's annual report for the year ended 30 June 2010. Those new accounting standards, amendments to accounting standards and interpretations which are mandatory for financial year ending 30 June 2011 have no material impact on the Group.

The unaudited consolidated accounts have not been audited by the auditors of the Company, but have been reviewed by the Company's audit committee.

1. 一般資料

本公司於二零零二年九月九日根據百慕達一九八一年公司法(經修訂)於百慕達註冊成立為受豁免有限公司。本公司註冊辦事處地址為 Clarendon House, 2 Church Street, Hamilton HM11, Bermuda。

本公司為一間投資控股公司。本公司股份自二零零三年四月十六日起於聯交所創業板上市。

本集團之主要業務則包括從事地面無線數位電視網絡設備集成業務、有線數位電視雙向改造業務、研究、設計、開發及製造電子資訊安全產品、芯片，以及芯片之解決方案及相關服務。

2. 編製基準及會計政策

截至二零一零年九月三十日止三個月之未經審核綜合業績乃按香港會計師公會頒佈之香港財務報告準則(「香港財務報告準則」)及創業板上市規則之適用披露規定編製。

未經審核綜合賬目乃根據歷史成本基準編製，惟金融工具乃以公平值計量。編製未經審核綜合賬目所採用之會計政策及計算方法與編製截至二零一零年六月三十日止年度之全年財務報表所採用者一致。該等未經審核綜合業績應與本公司截至二零一零年六月三十日止年度之年報一併閱讀。須於截至二零一一年六月三十日止財政年度採用之新訂會計準則、會計準則之修訂及詮釋不會對本集團構成重大影響。

未經審核綜合賬目未經本公司核數師審核，但已經本公司之審核委員會審閱。

3. TURNOVER AND REVENUE

Turnover and revenue recognised by category during the three months ended 30 September 2010 are as follows:

3. 營業額及收益

截至二零一零年九月三十日止三個月之營業額及收益分類確認如下：

		Three months ended 30 September 截至九月三十日止三個月	
		2010 二零一零年 HK\$'000 千港元 (Unaudited) (未經審核)	2009 二零零九年 HK\$'000 千港元 (Unaudited) (未經審核)
Turnover	營業額		
Wireless digital terrestrial television network equipment integration	地面無線數位電視網絡設備集成	23,696	136,354
Encrypted integrated circuits and the derived integrated business	加密芯片及所產生之集成業務	27,878	20,787
Wireless digital audio products business	無線數位音頻產品業務	30,803	22,569
		82,377	179,710
Other income	其他收入		
Bank interest income	銀行利息收入	46	6
Other interest income	其他利息收入	—	163
Sundry income	雜項收入	1,451	111
		1,497	280

4. PROFIT BEFORE TAXATION

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

4. 除稅前溢利

本集團除稅前溢利乃經扣除下列各項後列賬：

		Three months ended 30 September 截至九月三十日止三個月	
		2010 二零一零年 HK\$'000 千港元 (Unaudited) (未經審核)	2009 二零零九年 HK\$'000 千港元 (Unaudited) (未經審核)
Cost of inventories sold	存貨銷售成本	38,198	120,329
Depreciation	折舊	624	394
Operating lease charges	經營租賃費用		
– equipments and motor vehicles	– 設備及汽車	406	434
– office premises	– 辦公室物業	915	950
– staff quarter	– 員工住房	120	171
Research and development costs	研究及開發成本	571	995
Staff costs	員工成本		
(including Directors' remuneration)	(包括董事酬金)		
– salaries and allowances	– 薪金及津貼	3,266	2,491
– pension scheme contributions	– 退休金計劃供款	14	9

5. TAXATION

5. 稅項

		Three months ended 30 September 截至九月三十日止三個月	
		2010 二零一零年 HK\$'000 千港元 (Unaudited) (未經審核)	2009 二零零九年 HK\$'000 千港元 (Unaudited) (未經審核)
Current tax:	即期稅項：		
Hong Kong	香港		
– charge for the year	– 年內支出	–	310
Overseas	海外		
– charge for the year	– 年內支出	–	543
		–	853

The provision for Hong Kong profits tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profits for the year.

二零一零年香港利得稅撥備以年內估計應課稅溢利按稅率16.5% (二零零九年：16.5%) 計算。

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%.

在其他司法權區 (主要在中國) 產生之稅項乃按各司法權區之現行稅率計算。中國適用之企業所得稅稅率為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 are the first profit profit-making year of Beijing Jinqiao and Beijing Zhongguang for the purpose of CIT exemption respectively.

根據有關稅務機關之批准，於中國經營之本集團擁有93%權益之附屬公司北京金橋恒泰科技有限公司 (「北京金橋」) 及北京中廣視通科技有限公司 (「北京中廣」) 獲豁免繳納中國企業所得稅 (「企業所得稅」) 兩年，隨後三年則可享企業所得稅減半優惠。就豁免繳納企業所得稅而言，截至二零零八年十二月三十一日及二零一零年十二月三十一日止年度分別為北京金橋及北京中廣首個獲利年度。

6. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

6. 每股盈利

(a) 每股基本盈利

每股基本盈利乃按本公司股權持有人應佔溢利除以期內已發行普通股加權平均數計算。

**Three months ended
30 September**
截至九月三十日止三個月

		2010 二零一零年 (Unaudited) (未經審核)	2009 二零零九年 (Unaudited) (未經審核)
Profit attributable to the equity holders of the Company (HK\$'000)	本公司股權持有人應佔溢利 (千港元)	25,171	43,702
Weighted average number of ordinary shares in issue (thousands)	已發行普通股加權平均數 (千股)	1,579,248	1,577,341
Basic earnings per share (HK cent)	每股基本盈利(港仙)	1.59	2.77

6. EARNINGS PER SHARE (Continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the adjusted profit attributable to the equity holders of the Company by the total of the weighted average number of ordinary shares in issue during the period and the weighted average number of ordinary shares assumed to have been issued on the deemed exercise of all share options and conversion of all convertible notes outstanding during the period.

6. 每股盈利 (續)

(b) 每股攤薄盈利

每股攤薄盈利乃按本公司股權持有人應佔經調整溢利，除以期內已發行普通股加權平均數與假設於期內就被視為行使全部尚未行使購股權及轉換全部尚未行使可換股票據而發行之普通股加權平均數之總和計算。

		Three months ended 30 September 截至九月三十日止三個月	
		2010 二零一零年 (Unaudited) (未經審核)	2009 二零零九年 (Unaudited) (未經審核)
Profit attributable to the equity holders of the Company (HK\$'000)	本公司股權持有人應佔溢利 (千港元)	25,171	43,702
Effective interest expenses on convertible notes	可換股票據之實際利息開支	4,047	—
Adjusted profit attributable to the equity holders of the Company (HK\$'000)	本公司股權持有人應佔經調整溢利 (千港元)	29,218	43,702
Weighted average number of ordinary shares in issue (thousands)	已發行普通股加權平均數 (千股)	1,579,248	1,577,341
Weighted average number of ordinary shares in issue on the deemed exercise of all share options and conversion of all convertible notes outstanding during the period (thousands)	期內就被視為行使全部尚未行使購股權及轉換全部尚未行使可換股票據而發行之普通股加權平均數 (千股)	444,971	1,142
		2,024,219	1,578,483
Diluted earnings per share (HK cent)	每股攤薄盈利 (港仙)	1.44	2.77

7. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2010 (2009: Nil).

7. 中期股息

董事會不建議派發截至二零一零年九月三十日止三個月之中期股息 (二零零九年：無)。

8. RESERVES

8. 儲備

Attributable to the equity holders of the Company

本公司股權持有人應佔

		Share premium 股份溢價 HK\$'000 千港元	Capital reserve 資本儲備 HK\$'000 千港元	Exchange fluctuation reserve 匯兌儲備 HK\$'000 千港元	Share option reserve 購股權 儲備 HK\$'000 千港元	Convertible notes reserve 可換股 票據儲備 HK\$'000 千港元	Retained earnings 保留盈利 HK\$'000 千港元	Total 總計 HK\$'000 千港元
Balance at 1 July 2009	於二零零九年 七月一日之結餘	396,560	702	(274)	4,512	–	61,667	463,167
Total comprehensive income for the period	期內全面收入總額	–	–	354	–	–	43,702	44,056
Issue of new shares	發行新股份	69,000	–	–	–	–	–	69,000
Share issue expenses	發行股份開支	(2,039)	–	–	–	–	–	(2,039)
Share options exercised	已行使之購股權	16,490	–	–	(1,506)	–	–	14,984
Reserves arising from capital injection to non-wholly owned subsidiaries	來自一間 非全資附屬公司 注資之儲備	–	1,025	–	–	–	–	1,025
Balance at 30 September 2009	於二零零九年 九月三十日之結餘	480,011	1,727	80	3,006	–	105,369	590,193
Balance at 1 July 2010	於二零一零年 七月一日之結餘	491,372	2,325	3,905	1,696	300,800	242,306	1,042,404
Total comprehensive income for the period	期內全面收入總額	–	–	6,567	–	–	25,171	31,738
Issue of new shares	發行新股份	148,000	–	–	–	–	–	148,000
Share issue expenses	發行股份開支	(1,809)	–	–	–	–	–	(1,809)
Share options exercised	已行使之購股權	946	–	–	(9)	–	–	937
Balance at 30 September 2010	於二零一零年 九月三十日之結餘	638,509	2,325	10,472	1,687	300,800	267,477	1,221,270

MANAGEMENT DISCUSSIONS AND ANALYSIS

Financial review

For the three months ended 30 September 2010, the Group recorded a consolidated turnover of approximately HK\$82.4 million, representing a decrease of approximately 54.2% when compared to approximately HK\$179.7 million for the corresponding period in the last financial year.

Other operating expenses amounted to approximately HK\$9.2 million for the three months ended 30 September 2010, representing a decrease of 4.7% when compared to HK\$9.7 million for the three months ended 30 September 2009.

The profit attributable to equity holders of the Company amounted to approximately HK\$25.2 million for the three months ended 30 September 2010, representing a decrease of approximately 42.4% when compared to approximately HK\$43.7 million in the corresponding period in the previous financial year. Basic earnings per share was approximately HK 1.59 cents, representing a decrease of approximately 42.6% when compared to approximately HK 2.77 cents for the corresponding period of the last year.

As at 30 September 2010, the cash and bank balances of the Group amounted to approximately HK\$143.6 million (30 June 2010: HK\$65.4 million). The gearing ratio of the Group, calculated as total borrowings over shareholders' funds, was approximately 0.001 (30 June 2010: 0.03).

管理層討論及分析

財務回顧

於截至二零一零年九月三十日止三個月，本集團錄得綜合營業額約82,400,000港元，較上一財政年度同期之約179,700,000港元減少約54.2%。

截至二零一零年九月三十日止三個月之其他經營費用約為9,200,000港元，較截至二零零九年九月三十日止三個月之9,700,000港元減少4.7%。

截至二零一零年九月三十日止三個月，本公司股權持有人應佔溢利約為25,200,000港元，較上一財政年度同期之約43,700,000港元減少約42.4%。每股基本盈利約為1.59港仙，較去年同期之約2.77港仙減少約42.6%。

於二零一零年九月三十日，本集團之現金及銀行結餘約為143,600,000港元（二零一零年六月三十日：65,400,000港元）。本集團之資本負債比率（總借款除以股東資金）約為0.001（二零一零年六月三十日：0.03）。

On 14 September 2010, the Company, Team Effort Investments Limited (“Team Effort”) and DBS Asia Capital Limited (the “Placing Agent”) entered into a placing agreement pursuant to which Team Effort has agreed to place, and the Placing Agent has agreed to procure not less than six placees, on a best effort basis, for the purchase of up to 200,000,000 shares of the Company at the placing price of HK\$0.75 per placing shares (the “Placing”). On the same date, the Company and Team Effort entered into a “top-up” subscription agreement pursuant to which Team Effort has agreed to subscribe for such number of subscription shares which is equivalent to the number of shares actually placed under the Placing, being a maximum number of 200,000,000 subscription shares at the subscription price of HK\$0.75 per subscription share (the “Subscription”). Details of these transactions are set out in the Company’s announcement dated 14 September 2010. The Placing and the Subscription was completed on 16 September 2010 and 24 September 2010 respectively. A total of 200,000,000 new shares were issued and approximately HK\$148 million was raised for the digital cable television two-way conversion business and the general working capital of the Group.

On 4 December 2009, the Company issued HK\$264,725,020 zero coupon convertible notes (the “Convertible Notes”) pursuant to the terms of the sale and purchase agreements dated 19 June 2008 respectively as part of the consideration for the acquisitions of its subsidiaries. The Convertible Notes are convertible at the initial conversion price of HK\$0.34 per share, and upon full conversion a total of 778,603,000 conversion shares will be issued by the Company. The Convertible Notes have not been converted into shares as at 30 September 2010. The non-cash effective interest amounted to approximately HK\$4.0 million has been included in the finance costs.

於二零一零年九月十四日，本公司、Team Effort Investments Limited (「Team Effort」) 與星展亞洲融資有限公司 (「配售代理」) 訂立配售協議，據此，Team Effort 同意配售，而配售代理同意盡最大努力促使不少於六名承配人按每股配售股份 0.75 港元之配售價購買最多 200,000,000 股本公司股份 (「配售事項」)。同日，本公司與 Team Effort 訂立「以舊換新」認購協議，據此，Team Effort 同意按每股認購股份 0.75 港元之認購價認購相當於根據配售事項實際配售之股份數目之認購股份，即最多 200,000,000 股認購股份 (「認購事項」)。該等交易之詳情載於本公司日期為二零一零年九月十四日之公告內。配售事項及認購事項分別已於二零一零年九月十六日及二零一零年九月二十四日完成。合共 200,000,000 股新股份獲發行，並已籌集約 148,000,000 港元用作有線數位電視雙向改造業務及本集團之一般營運資金。

於二零零九年十二月四日，根據二零零八年六月十九日先後訂立之買賣協議之條款，本公司發行 264,725,020 港元之零票息可換股票據 (「可換股票據」)，作為收購其附屬公司之部份代價。可換股票據可按初步兌換價每股 0.34 港元兌換，而於悉數兌換後，本公司將發行合共 778,603,000 股兌換股份。於二零一零年九月三十日，可換股票據尚未獲兌換為股份。約 4,000,000 港元之非現金實際利息已計入融資成本。

Business review

The Group continues to put in enormous efforts in developing its principal businesses during the three months ended 30 September 2010. During the quarter under review, the revenues from the wireless digital terrestrial television network equipment integration business dropped significantly, while the revenues from the encrypted integrated circuits and the wireless digital audio products and their respective derived integrated businesses exceeded that of the corresponding period of last year. The Group continues to engage in the new line of business of digital cable television two-way conversion but as it is only at the early start-up phase, no revenue or earning was recorded for the period.

(i) Wireless digital terrestrial television network equipment integration business

Approximately HK\$23.7 million (2009: HK\$136.4 million) or 29% (2009: 76%) of the total turnover of the Group in the first quarter ended 30 September 2010 was derived from the construction project of the wireless digital terrestrial television operating platform. The reasons of setback in the demands of the wireless digital terrestrial television network equipment integration in this quarter are as follow.

- The optimisation of transmission station network conducted by our clients affected the sales of terrestrial televisions. As a result, the supplies to Hubei Chutian CTV Company including the peripheral equipments for transmission stations and the sales of terminal set-top box posted a year-on-year decrease, which significantly affected the quarterly profit of the Group.
- The Group reallocated part of its resources to develop the digital cable television market. The cash flow and profit of the Group inevitably came under pressure. Due to the long recoverable period of the trade receivables from Hunan Mobile TV Co., Ltd., the Group took the initiative to temporarily suspend the supplies to Hunan Mobile TV Co., Ltd. during the first quarter in order to mitigate the operational and credit risk of the Group. In addition, the Group is now considering different solutions to extend the cooperation and create synergies with its business partners to further explore the markets of digitalisation of television broadcasting and wireless broadcasting.

業務回顧

本集團於截至二零一零年九月三十日止三個月內持續大力發展其主要業務。於回顧季度內，來自地面無線數位電視網絡設備集成業務之收益大幅減少，而來自加密芯片及無線數位音頻產品以及其各自所產生之集成業務之收益較去年同期為高。本集團繼續從事有線數位電視雙向改造新業務，但由於新業務僅處於早期起步階段，故本期間並無錄得任何收益或盈利。

(i) 地面無線數位電視網絡設備集成業務

本集團截至二零一零年九月三十日止第一季度之總營業額約23,700,000港元（二零零九年：136,400,000港元）或29%（二零零九年：76%）來自地面無線數位電視運營平台搭建項目。導致本季度地面無線數位電視網絡設備集成之需求下滑之原因如下。

- 客戶之發射機站網絡優化影響地面電視之銷售量。因此，湖北楚天中視公司之供貨，包括發射機站周邊設備，以及終端機頂盒業務之銷售同比減少，本集團之季度溢利也受到較大影響。
- 本集團重新分配其部份資源以開發有線數位電視市場。本集團之現金流量及溢利不可避免地面臨壓力。由於湖南廣電移動電視有限公司之應收賬款之回收期較長，故本集團於第一季度內主動暫停向湖南廣電移動電視有限公司供貨，以降低本集團之營運及信貸風險。此外，本集團現正考慮擴大與其業務夥伴合作及協作之不同方案，以進一步開發數位電視廣播及無線廣播市場。

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

During the first quarter ended 30 September 2010, the Group did not record any turnover in the new two-way conversion business. This new business is now at the early implementation stage. Meanwhile, the Group continues to commit more resources to this profit driver in proactive response to the PRC government's policy, which are not expected to generate strong returns in the start-up period. Having strengthened its efforts of research and development and optimisation on the digital cable television two-way network conversion, the Group reduced the costs and raised the performance-price ratios of products. Material revenues and earnings are only expected to contribute to the Group in 2011.

The Group was invited by the provincial broadcasting television network companies in such provinces as Xinjiang, Shandong and Zhejiang to a program of research and development, design of market technology and product testing. The program has helped build the foundation of the Group's sales performance in the future.

(iii) Encrypted integrated circuits and the derived integrated business

The turnover for the three months ended 30 September 2010 generated from the information safety products business and the related technical services amounted to approximately HK\$27.9 million (2009: HK\$20.8 million) or approximately 34% (2009: 12%) of the total turnover. In the respect of the sales of encrypted integrated circuits related products, the Group has developed the environmental control software and successfully applied it to the cooling and energy saving products, which have become the major purchases by China Telecommunications Corporation for its air-conditioners. As the sole agent, the Group expects the sales of the products will generate considerable revenue in the future.

(iv) Wireless digital audio products business

The turnover for the three months ended 30 September 2010 generated from the wireless digital audio products business and the related technical services amounted to approximately HK\$30.8 million (2009: HK\$22.6 million) or approximately 37% (2009: 12%) of the total turnover. During the first quarter, the business demand of the Group's overseas customers further expanded resulting from the mounting demand of overseas markets. 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.

(ii) 有線數位電視雙向改造設備及服務業務

截至二零一零年九月三十日止第一季度，本集團並無於新雙向改造業務錄得任何營業額。該項新業務現正處於早期實施階段。此外，為積極響應中國政府之政策，本集團繼續投入更多資源於該利潤來源，惟預期無法於起步階段產生穩健回報。本集團透過加強對有線數位電視雙向網絡改造產品研發、產品優化，降低了成本並提高了產品性價比。預期將於二零一一年方會為本集團帶來可觀收益及盈利。

應新疆、山東、浙江等省廣電網絡公司邀請，本集團參與研發及市場技術設計以及產品測試計劃。該計劃為本集團未來之銷售表現奠下基礎。

(iii) 加密芯片及所產生之集成業務

截至二零一零年九月三十日止三個月來自資訊安全產品業務及相關技術服務之營業額約27,900,000港元(二零零九年：20,800,000港元)，佔總營業額約34% (二零零九年：12%)。至於加密芯片相關產品銷售，本集團已研發環境控制軟件，並成功應用至製冷節能產品上，該產品已成為中國電信集團公司空調集中採購產品。作為獨家代理，本集團預計該產品之銷售日後將產生可觀收益。

(iv) 無線數位音頻產品業務

截至二零一零年九月三十日止三個月來自無線數位音頻產品業務及相關技術服務之營業額約30,800,000港元(二零零九年：22,600,000港元)，佔總營業額約37% (二零零九年：12%)。於第一季度，由於國外市場需求增加，本集團國外客戶之業務需求進一步增加。隨著這幾年合作之國內外客戶之規模增大，本集團之市場份額也在加大，為本集團日後之高額收益提供了一個有效保障及利潤增長點。

Prospects

While improving the sales and services of the existing wireless digital terrestrial television network equipment integration business, the Group actively leveraged on the opportunity derived from the vigorous development of the “three network convergence” industry by the national and local television broadcasting operators to accommodate the demand of the existing customers and actively explore new markets, so as to increase the market share in respect of the two-way conversion business, develop new products and markets, and create new benefit drivers. Making use of its existing market resources and technological strengths to develop and produce the two-way network products, the Group expects a market expansion by cooperating with companies of international repute.

Capitalising on the existing research and development capability and the resources of development of partners relationship, the Group will continue to provide customers with quality technical services and technology development products which can meet their needs and will generate continually a better profit margin for the Group.

The export market in respect of the wireless short-distance products of the Group has resumed and the number of new projects has increased by two to three folds due to the recovery of the global financial crisis. There will be the purchase orders of new projects in the next quarter, and many enterprises are exploring new profit drivers during the past crisis. The number of new customers of the Group in the overseas markets has significantly increased. It is expected that the Group will greatly expand its market share. The project of Apple accessories, among others, will become a highlight to the Group's business development. Before the overseas markets were impacted by the economic setback, the Group had planned to explore the domestic market in order to expand the domestic market share. The Groups has so far achieved good results, with increases in both of the market share and sales volume. It will be a good start for the domestic sales market when the mass production for the projects of two PRC-listed companies begins in the next quarter. The Group will endeavour to enter into the new markets of consumer and automotive electronic products in order to introduce a new and rapid profit driver to the Group.

前景

在完善現有地面無線數位電視網絡設備集成業務之銷售及服務的同時，本集團積極利用國家以及各地方廣電大力開展三網融合業務的契機，完善現有客戶需求並積極開拓新增市場，增強在雙向改造業務方面之市場份額、挖掘新產品及市場，並創造新利潤增長點。本集團利用其現有市場資源及技術優勢發展及生產雙向網絡產品，並預期透過與國際知名公司合作以擴展市場。

憑藉現有研發能力及發展合作夥伴關係之資源，本集團將繼續為客戶提供優質技術服務及能符合其需求之技術發展產品，並將持續為本集團帶來更高之利潤率。

由於自全球金融危機中復甦，本集團之無線短距離產品之外銷市場有所恢復，而新項目數目亦提高兩至三倍。下一季度將出現新項目之採購訂單，而且大多企業都在過往危機中尋求新利潤增長點。本集團之國外市場新客戶數目大幅增加。估計本集團將大大提高其市場份額。其中蘋果配件項目將為本集團業務提升之亮點。在國外市場受經濟倒退影響前，本集團已著手規劃開拓國內市場以擴大國內之市場份額。本集團至今已取得理想成績，市場份額及銷售額均有所增加。在下一季度兩家國內上市公司之項目進入量產階段時，對內銷市場而言屬好的開端。本集團將致力進入新消費及汽車電子領域市場，為集團帶來新利潤高速增長點。

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

董事及主要行政人員於本公司或任何相聯法團之股份、相關股份及債權證之權益及短倉

As at 30 September 2010, the interests and short positions of the Directors, the chief executive of the Company or their respective associates (as defined in the GEM Listing Rules) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange were as follows:

於二零一零年九月三十日，本公司董事、主要行政人員或彼等各自之聯繫人（定義見創業板上市規則）於本公司或其任何相聯法團（定義見證券及期貨條例（「證券及期貨條例」）第XV部）之股份、相關股份及債權證中，擁有根據證券及期貨條例第XV部第7及第8分部規定須知會本公司及聯交所之權益及短倉（包括彼等根據證券及期貨條例有關條文被當作或視為擁有之權益及短倉）；或根據證券及期貨條例第352條須記錄於該條所述登記冊內之權益及短倉；或根據創業板上市規則有關董事進行證券交易之第5.46條至5.67條須知會本公司及聯交所之權益及短倉如下：

Name 姓名	Position 職務	Capacity 身份	Number of 數目		Approximate percentage of interests in the issued share capital 已發行股本 中權益概約 百分比
			shares 股份	underlying shares 相關股份 (Note) (附註)	
Mr. Xiao Yan 肖彥先生	Chief Executive Officer/ Executive Director 行政總裁／執行董事	Beneficial owner 實益擁有人	—	2,200,000	0.12%
Mr. Feng Yongming 馮永明先生	Executive Director 執行董事	Beneficial owner 實益擁有人	—	1,000,000	0.06%
Mr. Wu Fred Fong 胡晃先生	Chief Financial Officer 財務總裁	Beneficial owner 實益擁有人	1,000,000	4,000,000	0.28%

Note:

The Directors and the chief executive of the Company were granted share options at the exercise price of HK\$0.37 per share on 18 February 2009. The share options would be exercisable during the period from 18 March 2009 to 17 March 2012. These individuals were deemed to be interested in shares of HK\$0.01 each which would fall to be issued upon exercise of their respective share options of the Company under the share option scheme adopted by the Company on 13 March 2003.

Save as disclosed above, at no time during the three months ended 30 September 2010 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 2010, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital:

Interests in the shares and underlying shares of the Company

附註：

於二零零九年二月十八日，本公司董事及主要行政人員獲授行使價為每股0.37港元之購股權。該等購股權可於二零零九年三月十八日至二零一二年三月十七日期間行使。該等人士被視為根據購股權計劃（本公司於二零零三年三月十三日採納）彼等各自獲授之本公司購股權獲行使而須予發行之每股面值0.01港元之股份中擁有權益。

除上文所披露者外，本公司或其任何附屬公司於截至二零一零年九月三十日止三個月內任何時間概無訂立任何安排，致使本公司董事及主要行政人員可藉收購本公司或其相聯法團之股份或債權證而獲得利益。

主要股東於本公司之股份及相關股份之權益及短倉

根據證券及期貨條例第336條存置之主要股東登記冊所載，於二零一零年九月三十日，本公司已知悉下列持有本公司已發行股本5%或以上之主要股東權益及短倉：

於本公司股份及相關股份之權益

Name of shareholder 股東名稱	Number or attributable number of shares or underlying shares held 持有之股份或相關股份 數目或應佔數目	Type of interests 權益類別	Approximate percentage of interests 權益概約百分比
Mr. Choi Chung Lam (Note 1) 蔡忠林先生(附註1)	671,044,706 (L)	Interest in controlled corporation 受控法團權益	37.98%
Team Effort Investments Limited (Note 1) (附註1)	671,044,706 (L)	Interest in controlled corporation 受控法團權益	37.98%
Mind Smart Group Limited (Note 1) (附註1)	469,706,000 (L)	Beneficial owner 實益擁有人	26.59%

Name of shareholder 股東名稱	Number or attributable number of shares or underlying shares held 持有之股份或相關股份 數目或應佔數目	Type of interests 權益類別	Approximate percentage of interests 權益概約百分比
Mr. Li Haoping (Note 2) 李浩平先生(附註2)	348,151,353 (L)	Interest in controlled corporation 受控法團權益	19.71%
Lomond Group Limited (Note 2) (附註2)	348,151,353 (L)	Interest in controlled corporation 受控法團權益	19.71%
Easy Mount Enterprises Limited (Note 2) (附註2)	308,897,000 (L)	Beneficial owner 實益擁有人	17.48%

L: Long Position

L: 長倉

Notes:

附註：

- 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 469,706,000 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 201,338,706 shares held by Team Effort Investments Limited.
- The entire issued share capital of Easy Mount Enterprises Limited is owned as to 85% by Lomond Group Limited and 15% by Mr. Ho Wai Jung. Lomond Group Limited is wholly owned by Mr. Li Haoping. Lomond Group Limited and Mr. Li Haoping are deemed to be interested in the 308,897,000 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 39,254,353 shares held by Lomond Group Limited.

- Mind Smart Group Limited之全部已發行股本中由Team Effort Investments Limited擁有85%及由路行先生擁有15%。Team Effort Investments Limited由蔡忠林先生全資擁有。Team Effort Investments Limited及蔡忠林先生分別被視為於可換股票據所附之換股權獲行使而須予發行之469,706,000股股份中擁有權益。蔡忠林先生亦被視為於Team Effort Investments Limited持有之201,338,706股股份中擁有權益。
- Easy Mount Enterprises Limited之全部已發行股本中由Lomond Group Limited擁有85%及由何偉頌先生擁有15%。Lomond Group Limited由李浩平先生全資擁有。Lomond Group Limited及李浩平先生分別被視為於可換股票據所附之換股權獲行使而須予發行之308,897,000股股份中擁有權益。李浩平先生亦被視為於Lomond Group Limited持有之39,254,353股股份中擁有權益。

Save as disclosed above, as at 30 September 2010, 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.

除上文所披露者外，於二零一零年九月三十日，本公司董事或主要行政人員概不知悉有任何其他人士（本公司董事或主要行政人員除外）於本公司之股份或相關股份中，擁有證券及期貨條例第336條所載之任何權益或短倉。

EMPLOYEE SHARE OPTION SCHEME

員工購股權計劃

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 2010. The following shows the outstanding positions of the eligible persons as at 30 September 2010 with respect to their share options granted under the scheme:

於二零零三年三月十三日當時本公司唯一股東批准之員工購股權計劃之詳情於本公司截至二零一零年六月三十日止年度之年報中披露。合資格人士根據購股權計劃獲授予之購股權於二零一零年九月三十日之結餘情況如下：

Participants 參與者	Number of Shares (Note) 股份數目 (附註)				As of			
	As of 1 July 2010 截至 二零一零年 七月一日	Exercised during the period 於期內 行使	Cancelled during the period 於期內 註銷	Lapsed during the period 於期內 失效	30 September 2010 截至 二零一零年 九月三十日	Date of Grant 授出日期	Exercise period 行使期	Subscription Price 認購價
Eligible persons 合資格人士	10,700,000	-	-	-	10,700,000	18/02/2009	18/03/2009- 17/03/2012	0.37

Note:

附註：

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

根據購股權計劃授出而可予行使之購股權所涉及之本公司股份數目。

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 has been advised by its legal adviser that the Plaintiff had no grounds for the Claim and the Company filed its defence on 28 March 2008 and witness statement on 30 July 2009. Since then, witness statements had been exchanged and the trial hearing at the high court has been scheduled from 24 November 2010 to 9 December 2010. The Company will keep its shareholders and potential investors informed of any further significant developments.

Save as disclosed above, the Group was not engaged in any litigation or arbitration or claims of material importance which is known to the Directors to be pending or threatened by or against the Group as at 30 September 2010.

訴訟

本公司於二零零七年十二月二十日接獲一份傳訊令狀（「令狀」），據此，原告人陳克儉先生（「原告」）向首被告Precision Assets Limited、第二被告胡棟良先生（「次被告」）及第三被告本公司（統稱為「被告人」）提出索償。原告根據一份據稱由原告與次被告（代表被告人）部份以口頭方式及部份以書面形式訂立之延期償付協議向本公司提出索償。次被告乃前任執行董事，於二零零二年九月十一日獲委任並於二零零七年六月五日辭任。

原告(1)透過兩張日期分別為二零零七年六月三十日及二零零七年十月三十一日金額各為2,500,000港元之本公司支票（未能兌現），向本公司提出索償總金額5,000,000港元連同利息及費用；及(2)向被告人共同及個別提出索償損害賠償金額25,000,000港元及進一步或選擇在上述支票所欠付之總金額5,000,000港元連同利息及次被告以私人名義提供之費用，自本公司當時已正式取消之銀行戶口開出（「索償」）。

本公司已獲其法律顧問告知，原告在索償方面並無任何理據，而本公司已於二零零八年三月二十八日提交抗辯書並於二零零九年七月三十日提交證人陳述書。此後，已交換證人陳述書，而審訊定於二零一零年十一月二十四日至二零一零年十二月九日在高等法院進行。本公司將會就任何進一步的重大事態發展通知本公司股東及潛在投資者。

除上文所披露者外，於二零一零年九月三十日，據董事所知，本集團概無涉及任何重大訴訟、仲裁或索償，而本集團亦無提出或面臨任何重大訴訟、仲裁或索償。

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 2010. Having made specific enquiry of all Directors, the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by Directors during the three months ended 30 September 2010.

董事於競爭業務之權益

本公司各董事或控股股東或彼等之聯繫人（定義見創業板上市規則）概無於與本集團業務出現或可能出現競爭或與本集團權益中出現任何其他衝突之業務中擁有任何權益。

審核委員會

本公司已遵照創業板上市規則第5.28至5.29條成立具明文職權範圍之審核委員會。於本報告日期，審核委員會由三位獨立非執行董事組成，即梁和平先生，太平紳士（主席）、董石先生及胡定東先生。

審核委員會之職責包括審閱本集團年報及賬目、半年報告及季度報告，並就此向董事會提供建議及意見。審核委員會亦負責檢討及監督本公司之財務申報程序及內部控制制度，以及按年度基準檢討外聘核數師之委任及確保繼任核數師之獨立性。

董事進行證券交易守則

於截至二零一零年九月三十日止三個月內，本公司已採納創業板上市規則第5.48至5.67條所規定之交易必守標準作為其董事進行證券交易守則。本公司經向全體董事作出具體查詢後，得悉截至二零一零年九月三十日止三個月內，並無任何違反有關董事進行證券交易之交易必守標準之事宜。

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

購買、出售或贖回本公司之上 市證券

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 2010.

截至二零一零年九月三十日止三個月，本公司或其任何附屬公司並無購買、出售或贖回本公司之任何上市證券。

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

承董事會命
恒芯中國控股有限公司
行政總裁
肖彥

Hong Kong, 12 November 2010

香港，二零一零年十一月十二日

As at the date of this report, 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.

於本報告日期，董事會由執行董事肖彥先生（行政總裁）、馮永明先生及李濤先生；非執行董事徐雷先生；獨立非執行董事梁和平先生，太平紳士、董石先生及胡定東先生組成。

