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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)

MAJOR TRANSACTION

DISPOSAL OF SUBSIDIARY

Financial Adviser to the Company

AMASSE CAPITAL
寶 積 資 本

On 20 November 2012, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell to the Purchaser, and the Purchaser conditionally agreed to purchase from the Vendor, the Sale Share, representing the entire issued share capital of the Target Company, at a consideration of RMB328 million (equivalent to approximately HK\$403.4 million), which will be satisfied by cash in full upon completion. Upon completion of the Disposal, the Company will not hold any interest in the Target Group and the Target Group will cease to be subsidiaries of the Company.

As the Disposal exceeds 25% but does not exceed 75% of one or more of the applicable percentage ratios (as defined in the GEM Listing Rules), it constitutes a major disposal for the Company under the GEM Listing Rules and is therefore subject to the approval of the Shareholders at the SGM.

A circular containing, among other things, (i) further information regarding the Disposal, (ii) a notice of SGM, and (iii) other information as required under the GEM Listing Rules will be despatched to the Shareholders on or before 11 December 2012.

As Completion is subject to the fulfillment of conditions precedent, the issue of this announcement should not be regarded in any way as implying that the Disposal will be completed. Therefore, the Shareholders and investors in general should exercise caution when dealing in the Shares.

Reference is made to the announcement of the Company dated 12 October 2012 in relation to the MOU in respect of a possible disposal of subsidiaries of the Company.

* For identification purposes only

THE DISPOSAL

On 20 November 2012 (after trading hours of the Stock Exchange), the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor conditionally agreed to sell to the Purchaser, and the Purchaser conditionally agreed to purchase from the Vendor, the Sale Share, representing the entire issued share capital of the Target Company, at a consideration of RMB328 million (equivalent to approximately HK\$403.4 million), which will be satisfied by cash in full upon completion.

The Sale and Purchase Agreement

Date: 20 November 2012

Parties

Vendor: Star Hub Investments Limited, an indirect wholly-owned subsidiary of the Company

Purchaser: America Assets Holding Group Limited

To the best knowledge, information and belief of the Directors having made all reasonable enquiry and so far as the Directors are aware, the Purchaser is an Independent Third Party.

Assets to be disposed

The Sale Share represents the entire issued share capital of the Target Company.

Upon completion of the Disposal, the Company will not hold any interest in the Target Group and the Target Group will cease to be subsidiaries of the Company.

Consideration

The consideration for the sale and purchase of the Sale Share is RMB328 million (equivalent to approximately HK\$403.4 million). The consideration will be satisfied by the Purchaser as to RMB10 million (equivalent to approximately HK\$12.3 million) as refundable deposit in cash paid within 5 days from the date of the Sale and Purchase Agreement and as to RMB\$318 million (equivalent to approximately HK\$391.1 million) in cash upon Completion. The deposit shall be refunded by the Vendor to the Purchaser within 5 days if the Sale and Purchase Agreement was terminated.

The consideration was arrived at after arm's length negotiations between the Purchaser and the Vendor, with reference to (i) consolidation net asset of the Target Group; (ii) the payment term of the consideration of the Disposal; and (iii) the reasons for the Disposal as disclosed herein below.

The Directors consider the consideration of the Disposal is fair and reasonable, and the terms of settlement of the consideration are in the interests of the Company and the Shareholders as a whole.

Conditions precedent

Completion of the sale and purchase of the Sale Share is conditional upon, among other things, the satisfaction of the following conditions:

- (a) the passing by the shareholders of the Vendor in general meeting of an ordinary resolution approving this Agreement and the transactions contemplated hereunder, if applicable; and
- (b) the Vendor having obtained all other necessary consents, approvals or waivers which may be required for the execution and performance of this Agreement.

The above conditions precedent are required to be fulfilled within 60 days after the date of the Sale and Purchase Agreement (or such other date as the Purchaser and the Vendor may agree in writing and subject to compliance with the GEM Listing Rules).

Completion

Completion shall take place within 5 (five) Business Days after the date on which the last of the Conditions to be satisfied shall have been so satisfied provided that it shall take place on a date no later than a date falling 120 days after the date of the Sale and Purchase Agreement (or such other date as the Purchaser and the Vendor may agree in writing).

INFORMATION OF THE COMPANY, VENDOR AND PURCHASER

The Company is an investment holding company. The Group is principally 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.

The Vendor is an investment holding company and an indirect wholly-owned subsidiary of the Company.

The Purchaser is an investment holding company.

INFORMATION OF THE TARGET GROUP

The Target Company is an investment holding company and is an indirect wholly-owned subsidiary of the Company.

The Target Group engages principally in wireless digital terrestrial television network equipment integrated business, and research, design, manufacturing and trading of information safety products.

Financial information on the Target Company

The unaudited consolidated net asset of the Target Company as at 30 June 2012 is approximately RMB336.7 million (equivalent to approximately HK\$414.1 million).

The unaudited consolidated net profits before and after taxation of the Target Company for each of the two years ended 30 June 2011 and 2012 are set out below:

	Year ended 30 June	
	2012	2011
Net profit before taxation	HK\$47.3 million	HK\$200.3 million
Net profit after taxation	HK\$44.3 million	HK\$200.3 million

REASONS FOR THE DISPOSAL

The business of the Target Group has always facing intensive competitions in the PRC, which requires the Group to grant relatively longer credit periods to its customers, and at the same time, the Group is required to give significant down payments to suppliers to secure the goods. In light of the above, the Directors consider that the Disposal could allow the Group to focus its resources, apply the proceeds from the Disposal on its principal businesses of cable television and wireless digital television value-added services, and improve the financial strength of the Group and would be in the interest of the Company and Shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL

Upon completion of the Disposal, the Company will not hold any interest in the Target Group and the Target Group will cease to be subsidiaries of the Company.

The actual financial effect from the Disposal and to be accounted for in the consolidated financial statements of the Company for the financial year ending 31 December 2012 will be computed basing on the financial information of the Disposal Group as at Completion and which is subject to audit.

For illustrative purposes, there is an estimated loss of approximately RMB8.7 million (equivalent to approximately HK\$10.7 million) arising on the Disposal based on the consideration of RMB328 million (equivalent to approximately HK\$403.4 million), the consolidated net assets of the Disposal Group as at 30 June 2012 of approximately RMB336.7 million (equivalent to approximately HK\$414.1 million).

The proceeds from the Disposal will be used for general working capital purposes and possible acquisition opportunities in the future.

IMPLICATIONS OF THE DISPOSAL UNDER THE GEM LISTING RULES

As the Disposal exceeds 25% but does not exceed 75% of one or more of the applicable percentage ratios (as defined in the GEM Listing Rules), it constitutes a major disposal for the Company under the GEM Listing Rules and is therefore subject to the approval of the Shareholders at the SGM. To the best knowledge, information and belief of the Directors having made all reasonable enquires, no shareholder of the Company is required to abstain from voting for the resolution to be proposed at the SGM to approve the Sale and Purchase Agreement.

A circular containing, among other things, (i) further information regarding the Disposal, (ii) a notice of SGM, and (iii) other information as required under the GEM Listing Rules will be despatched to the Shareholders on or before 11 December 2012.

As Completion is subject to the fulfillment of conditions precedent, the issue of this announcement should not be regarded in any way as implying that the Disposal will be completed. Therefore, the Shareholders and investors in general should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings:

“Board”	board of Directors
“BVI”	the British Virgin Islands
“Company”	Heng Xin China Holdings Limited, a company incorporated in the Bermuda with limited liability, whose Shares are listed on the GEM (Stock Code: 8046)
“Completion”	completion of the Sale and Purchase Agreement
“Directors”	director(s) of the Company
“Disposal”	disposal of the Sale Shares pursuant to the provisions of the Agreement
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a party and, if applicable, the ultimate beneficial owner of the party who is not fallen into the definition of connected persons of the Company under Chapter 20 of the GEM Listing Rules and independent of the connected persons of the Company and their associates (as defined in the GEM Listing Rules)
“MOU”	the non-legally binding memorandum of understanding entered into by the Company on 12 October 2012
“Purchaser”	America Assets Holding Group Limited, incorporated in BVI with limited liability
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 20 November 2012 entered into between, among others, the Purchaser and the Vendor in relation to the sale and purchase of the Sale Share
“Sale Share”	1 ordinary share of US\$1 in the share capital of the Target Company, representing its entire issued share capital

“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.01 each in the share capital of the Company
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, among other things, the Sale and Purchase Agreement and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Magic Golden Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Star Hub Investments Limited, an indirectly wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“%”	per cent.

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

Hong Kong, 20 November 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, for which the directors of the Company (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 (“GEM”) of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief 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.

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.