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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)

### **DISCLOSEABLE TRANSACTION**

On 7 December 2012, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Vendor agreed to sell to the Purchaser, and the Purchaser agreed to purchase from the Vendor, 25% equity interests in the Target Company at a consideration of RMB139,000,000 (equivalent to approximately HK\$170,970,000), which will be satisfied in cash.

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) of the Acquisition exceeds 5% but does not exceed 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to reporting and announcement requirements under the GEM Listing Rules.

Reference is made to the announcement of the Company dated 14 November 2012 in relation to the MOU in respect of a possible acquisition of equity interests in the Target Company.

### **THE ACQUISITION**

On 7 December 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 agreed to sell to the Purchaser, and the Purchaser agreed to purchase from the Vendor, 25% equity interests in the Target Company at a consideration of RMB139,000,000 (equivalent to approximately HK\$170,970,000), which will be satisfied in cash.

### **The Sale and Purchase Agreement**

**Date:** 7 December 2012

#### ***Parties***

**Purchaser:** 北京金橋恒泰科技有限公司(Beijing Jinqiao Hengtai Technology Co., Ltd), an indirect wholly-owned subsidiary of the Company

**Vendor:** 煙台新潮實業股份有限公司 (Yantai Xinchao Industry Co., Ltd)

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

\* For identification purposes only

## ***Consideration***

The consideration for the Acquisition is RMB139,000,000 (equivalent to approximately HK\$170,970,000), to be satisfied by the Purchaser in the following manner:—

- (a) as to RMB60,000,000 (equivalent to approximately HK\$73,800,000) in cash payable within 5 business days from the date of approval of the Ministry of Commerce of the PRC and the refundable deposit in the sum of RMB10,000,000 paid by the Purchaser to the Vendor under the MOU will be applied towards this first instalment payment;
- (b) as to RMB10,890,000 (equivalent to approximately HK\$13,394,700) in cash payable on the date of submission of documents to State Administration for Industry and Commerce (“SAIC”) to effect the changes in relation to the Acquisition;
- (c) as to RMB68,110,000 (equivalent to approximately HK\$83,775,300) in cash payable within 3 days after Completion, at which the changes in relation to the Acquisition have been registered with SAIC.

If Completion does not take place, the consideration paid by the Purchaser shall be refunded by the Vendor within 5 business days after the Vendor’s receipt of the Purchaser’s refund notice.

The consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor, with reference to (i) net asset of the Target Company of approximately RMB548 million (equivalent to approximately HK\$674 million) as at 31 October 2012; (ii) the appraised value of RMB576 million (equivalent to approximately HK\$708 million) of the Target Company as at 31 October 2012 valued by an independent qualified valuer in the PRC based on the asset-based approach ; and (iii) the reasons for the Acquisition as disclosed herein below.

The Directors consider the consideration of the Acquisition 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.

## ***Completion***

Completion shall take place on the day when registration of the changes in relation to the Acquisition with SAIC is completed, which is expected to take place within thirty (30) business days from the date of the Sale and Purchase Agreement.

## ***Power to appoint senior management, composition of the board of directors and the supervisory board***

Pursuant to the Sale and Purchase Agreement, the Purchaser is entitled to:—

- (a) appoint the vice-chairman of the Target Company;
- (b) appoint 1 (one) out of 7 (seven) members of the board of the directors of the Target Company. All resolutions shall be approved by 3/4 of the members of the board of directors; and
- (c) appoint 1 (one) out of 5 (five) members of the supervisory board of the Target Company. The member to be appointed by the Purchaser shall act as chairman of the supervisory board. All resolutions shall be approved by 2/3 of the members of the supervisory board.

## ***Penalty***

If the Purchaser fails to fulfill its payment obligation within 30 days from the stipulated day of payment under the Sale and Purchase Agreement, it will be subject to a penalty amounting to 10% of the Consideration payable to the Vendor.

If the Vendor fails to sell the 25% equity interests in the Target Company, it will also be subject to a penalty amounting to 10% of the Consideration payable to the Purchaser.

## **INFORMATION OF THE COMPANY, PURCHASER AND VENDOR**

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 Purchaser is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in wireless digital terrestrial television network equipment integrated business, and research, design, manufacturing and trading of information safety products.

The Vendor is a conglomerate group listed in the Shanghai Securities Exchange. Its principal businesses include (i) the production and sales of small physical foamed cable, small coaxial cable, access network, and high-speed data transfer cable; (ii) property development; (iii) construction and installation; (iv) textile; (v) car sales; (vi) tourism; and (vii) import and export trades. The Vendor currently holds 83.07% equity interests in the Target Company.

## **INFORMATION OF THE TARGET GROUP**

The Target Group is principally engaged in (i) production and sales of small physical foamed cable, small coaxial cable, access network, and high-speed data transfer cable for broadband transmission cable television (CATV) and (ii) property development in the PRC.

### **Financial information on the Target Group**

The audited consolidated net asset of the Target Group as at 31 December 2011 is approximately RMB630.1 million (equivalent to approximately HK\$775.0 million).

The audited consolidated net profits before and after taxation and extraordinary items of the Target Group for each of the two years ended 31 December 2010 and 2011 are set out below:

	<b>Year ended 31 December</b>	
	<b>2011</b>	<b>2010</b>
Net profit/(loss) before taxation and extraordinary items	RMB25.3 million (equivalent to HK\$31.1 million)	RMB(30.3) million (equivalent to HK\$(37.3) million)
Net profit/(loss) after taxation and extraordinary items	RMB16.2 million (equivalent to HK\$19.9 million)	RMB(30.4) million (equivalent to HK\$(37.4) million)

## **REASONS FOR THE ACQUISITION**

In response to the general market and capturing the opportunity brought from the “three networks integration” policies introduced by the State Council in January 2010, the Group has made a transition from the wireless television operation to the digital cable television operation in the past years. The accelerating urbanization and the increase in personal consumable income of the PRC residents have created stable demand for the digital television market. As a result, the demand and sale price of data transfer cables which are required for the Group to develop its last-mile network infrastructure, have been increasing significantly.

In light of the above, the Directors consider that the Acquisition will create synergy effect to the Group’s existing businesses in terms of accessing to a stable source of supply of high quality data transfer cables at a reasonable price.

## FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Target Group will be accounted for as an investment under equity accounting treatment in the balance sheet of the Group and thus the Acquisition will not have material impact to the net asset of the Group immediately after Completion. It is also expected that the consolidated profits of the Group will be increased in the forthcoming financial years if the Target Group could deliver a positive results in the future.

## IMPLICATIONS OF THE ACQUISITION UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) of the Acquisition exceeds 5% but does not exceed 25%, the Acquisition constitutes a discloseable transaction for the Company under the GEM Listing Rules and is therefore subject to reporting and announcement requirements under the GEM Listing Rules.

## DEFINITIONS

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

“Acquisition”	the acquisition of 25% equity interests in the Target Company pursuant to the provisions of the Sale and Purchase Agreement
“Board”	board of Directors
“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
“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 14 November 2012
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China

“Purchaser”	北京金橋恒泰科技有限公司(Beijing Jinqiao Hengtai Technology Co., Ltd), an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 7 December 2012 entered into between, among others, the Purchaser and the Vendor in relation to the sale and purchase of 25% equity interest in the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	煙台新牟電纜有限公司 (Yantai Xinmu Cable Co., Ltd), incorporated in the PRC with limited liability
“Target Group”	the Target Company and its subsidiaries
“Vendor”	煙台新潮實業股份有限公司 (Yantai Xinchao Industry Co., Ltd), a joint stock limited company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“%”	per cent.

*For illustrative purpose only, conversions of RMB into HK\$ are based on the approximate exchange rate of RMB1 to HK\$1.23. No representation is made that any amount into HK\$ and RMB have been, could have been or could be converted at the above rate or any other rate.*

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

Hong Kong, 7 December 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](http://www.hengxinchina.com.hk).*