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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Heng Xin China Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.

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**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**

**AMASSE CAPITAL**

**寶 積 資 本**

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A notice convening the SGM to be held at Unit 2, 24/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Friday, 4 January 2013 at 10:30 a.m. is set out on pages 19 to 21 of this circular. An ordinary resolution will be proposed at the SGM to consider and, if thought fit, to approve amongst others the Sale and Purchase Agreement. A form of proxy for the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before appointed for the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM if you so wish.

This circular will remain on the GEM website at <http://www.hkgem.com> on the "Latest Company Circular" page for at least seven days from the date of its posting and on the website of the Company at <http://www.hengxinchina.com.hk>.

17 December 2012

\* For identification purpose only

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## CHARACTERISTICS OF GEM

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**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.**

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## DEFINITIONS

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*In this circular, unless the context requires otherwise, the following expressions have the following meanings:*

“Announcement”	the announcement of the Company dated 20 November 2012 in respect of the Disposal
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“BVI”	the British Virgin Islands
“Company”	Heng Xin China Holdings Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the GEM (Stock Code: 8046)
“Completion”	completion of the Sale and Purchase Agreement
“Directors”	the directors of the Company
“Disposal”	disposal of the Sale Shares pursuant to the provisions of the Sale and Purchase Agreement
“GEM”	the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GEM Listing Rules”	the 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 does not fall within the definition of connected persons of the Company under Chapter 20 of the GEM Listing Rules and is independent of the connected persons of the Company and their associates (as defined in the GEM Listing Rules)

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## DEFINITIONS

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“Latest Practicable Date”	12 December 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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 the BVI with limited liability
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong
“Remaining Group”	the Group immediately after Completion
“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
“Share(s)”	ordinary share(s) of HK\$0.10 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

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## DEFINITIONS

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“Vendor”	Star Hub Investments Limited, an indirect wholly-owned subsidiary of the Company
“Yantai Xinmu Acquisition”	the acquisition of 25% equity interest in 煙台新牟電纜有限公司 (Yantai Xinmu Cable Co., Ltd) by the Group as disclosed in the announcement of the Company dated 7 December 2012
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong from time to time
“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 amounts in HK\$ or RMB have been, could have been or could be converted at the above rate or any other rate.*

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## LETTER FROM THE BOARD

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### HENG XIN CHINA HOLDINGS LIMITED

### 恒芯中國控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8046)

*Executive Directors:*

Mr. Xiao Yan (*Chief Executive Officer*)

Mr. Feng Yongming

Mr. Li Tao

*Registered Office:*

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Non-executive Director:*

Mr. Xu Lei

*Principal place of business in Hong Kong:*

Unit 2, 24/F

*Independent non-executive Directors:*

Mr. Leung Wo Ping *JP*

Harcourt House

Mr. Dong Shi

39 Gloucester Road

Mr. Hu Dingdong

Wanchai

Hong Kong

17 December 2012

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION

### DISPOSAL OF SUBSIDIARY

### INTRODUCTION

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 and the Announcement in respect of the Disposal.

*\* For identification purpose only*

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## LETTER FROM THE BOARD

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### 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.

#### *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 RMB318 million (equivalent to approximately HK\$391.1 million) in cash upon Completion. The deposit has been paid by the Purchaser and shall be refunded 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.



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## LETTER FROM THE BOARD

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The Directors consider the consideration of the Disposal is to be fair and reasonable, and the terms of settlement of the consideration to be 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 in general meeting of an ordinary resolution approving the Sale and Purchase Agreement and the transactions contemplated hereunder, if applicable; and
- (b) the Company having obtained all other necessary consents, approvals or waivers which may be required for the execution and performance of the Sale and Purchase 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), failing which the Sale and Purchase Agreement shall terminate and be of no further force and effect.

### *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 Completion 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 the businesses of digital cable television, wireless digital television value-added services, wireless digital terrestrial television network equipment integration, research, design, development on and manufacturing of electronic message security products, integrated circuits, integrated circuit solutions and 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.

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## LETTER FROM THE BOARD

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### INFORMATION OF THE TARGET GROUP

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

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

### Financial information on the Target Company

A summary of the unaudited financial information of the Target Group for each of the two financial years ended 30 June 2012 prepared in accordance with all applicable Hong Kong Financial Reporting Standards is set out in the following table:

	Year ended 30 June	
	2012	2011
Revenue	HK\$249.0 million	HK\$534.8 million
Net profit before taxation and extraordinary items	HK\$47.3 million	HK\$246.3 million <i>(Note)</i>
Net profit after taxation and extraordinary items	HK\$44.3 million	HK\$246.3 million <i>(Note)</i>
Net assets	HK\$414.1 million	HK\$400.2 million

*Note:*

Owing to inadvertent clerical mistake, these figures were incorrectly stated in the Announcement.

### REASONS FOR THE DISPOSAL

As disclosed in the Management Discussion and Analysis section of the Company's annual report for the financial year ended 30 June 2012, the Group has substantially completed the transition of its wireless television operation to the digital cable television operation. The reason for shifting the Group's business focus is the significant decrease in financial performance of the Target Group as disclosed below.

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## LETTER FROM THE BOARD

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The business of the Target Group has always faced intensive competitions from other industry operators in the PRC, which accounts for the reason why some of the new businesses are secured through a bidding process. As disclosed in the 2011/12 annual report, the Group has substantially closed the wireless television platform integration business in Hunan and Hubei provinces during the financial year ended 30 June 2012 which attributed to the significant decrease in revenue of the Target Group. In respect of the Group's wireless television platform integration business, the Group's customers or ultimate customers companies the sole state-owned broadcasting entity in each respective province or region which has virtually a monopolistic status. To a certain extent, recoverability is guaranteed, however, it requires the Group to grant relatively longer credit periods (3 years on average) to its customers. On the other hand, the Group is required to make significant down payments to suppliers to secure the goods in advance, since no delay for the supply of good is allowed once a governmental integration project is rolled out. Owing to the above reasons, the Target Group accounted for significant portions of the Group's trade receivables and prepayments for the financial year ended 30 June 2012.

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 business of cable television and wireless digital television value-added services, and improve the financial strength of the Group which would be in the interests of the Company and Shareholders as a whole.

### FINANCIAL EFFECT OF THE DISPOSAL

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

The Directors expect that based on the assets and liabilities of the Target Group, the total assets and total liabilities of the Group will decrease upon Completion. 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) and 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).

There will be an immediate cash inflow of proceeds from the Disposal of approximately HK\$403.4 million to the Remaining Group. Part of the proceeds from the Disposal (around HK\$150 million) is expected to be utilized for the settlement of consideration for the Yantai Xinmu Acquisition while the remaining balance (around HK\$253.4 million) will be used for general working capital purposes.

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## LETTER FROM THE BOARD

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### INTENTIONS OF THE COMPANY

As at the Latest Practicable Date, the Company has no intention to dispose of or to discontinue its existing businesses and, apart from entering into the sale and purchase agreement in respect of the acquisition of 25% equity interest in a company engaging in the 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) in the PRC as announced by the Company on 7 December 2012, there is no agreement, arrangement, intention, negotiation and/or plan about any acquisition, and/or to carry out a principal business other than the existing business of the Company (whether concluded or not).

### INFORMATION AND TRADING PROSPECTS OF THE REMAINING GROUP

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. For the two financial years ended 30 June 2012, the Group had achieved stable progress for its digital cable television operational business in rural areas and the operation of wireless digital mobile television in Hebei province by the installation of 6,000 public display panels. The accelerating urbanization and the increase in personal consumable income of PRC citizens have created stable demand for the digital television market and the related value-added services.

The Group had substantially closed the wireless television platform integration business in Hunan and Hubei provinces during the financial year ended 30 June 2012. The revenue generated in the wireless digital terrestrial television network equipment integration business segment during the financial year ended 30 June 2012 were mainly sales of set-top boxes, and related products and intellectual property rights.

Upon Completion, the development plan of the Remaining Group is to focus on the growth of the four major business segments, namely, digital cable television, wireless digital television value-added services, information safety technology business and wireless digital audio products business. The Yantai Xinmu Acquisition, if completed, will enable the Remaining Group to streamline its digital cable television business.

The principal key trading factor and risk of the Remaining Group’s digital cable television business is that most of its key customers or ultimate customers are the sole state-owned broadcasting entities in the respective provinces or regions. Given such fact, most of the Group’s trade agreements are structured for a medium term of 15 years so as to mitigate the associate risks. However, as disclosed above, the Group may need to face a longer term recoverability of trade receivables, which, in the opinion of the Directors, is the general phenomenon in doing business with state-owned enterprises. Further, should the Group’s services

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## LETTER FROM THE BOARD

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or customer-relationship are not up to the required standards, the Group may not be able to procure further businesses in such provinces or regions. The Remaining Group will have to reinforce its service standard to better serve the contracted television broadcasting subscribers in order to lay a foundation for achieving the overall objectives of development of the Remaining Group, and more importantly, seek new opportunities for cooperation in other provinces and expand its business considerably in the provinces where cooperation has been established.

The uncertain worldwide economic prospects would continue to pose great challenges and risks in the coming year, particularly affecting the Group's revenue and profit from its trading of integrated circuits business. However, the market outlook of the Group in long term is positive since the management believes that the Group possesses characteristics which its major customers may appreciate, including high-level demand on the quality of the products. The Remaining Group will continue to promote, upgrade and develop its technological know-how gained throughout these years, and to identify customers' new demand and new customers. The Remaining Group has the philosophy of market-oriented development based on technology with the provision of services as the profit driver. This will assist the Remaining Group in maintaining its competitive edge and its sustainability.

### **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. According to the GEM Listing Rules, any Shareholder and his/her/its associate(s) with a material interest in the Disposal are required to abstain from voting on the resolution in respect of the Disposal at the EGM. 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.

### **SGM**

A notice convening the SGM to be held at Unit 2, 24/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Friday, 4 January 2013 at 10:30 a.m. is set out on pages 19 to 21 of this circular.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Registrar at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as practicable but in any event not later than 48 hours before the time appointed for the holding of the SGM or the adjourned meeting thereof (as the case may be). Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting thereof (as the case may be).

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board considers that the terms of the Sale and Purchase Agreement contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to approve the Sale and Purchase Agreement (and the transactions contemplated thereunder) at the SGM.

**As Completion is subject to the fulfillment of conditions precedent, the issue of this circular 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.**

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully

By Order of the Board

**HENG XIN CHINA HOLDINGS LIMITED**

**Xiao Yan**

*Chief Executive Officer*

**1. STATEMENT OF INDEBTEDNESS**

At the close of business on 31 October 2012, being the latest practicable date for the purpose of this statement of indebtedness prior the printing of this circular, the Group had the following borrowings:

	<i>HK\$' Million</i>
Bank borrowings ( <i>Note</i> )	6
Zero coupon convertible note — unsecured	200
	<hr/>
	206
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*Note:*

The bank borrowings were secured by certain assets held by the Group and guaranteed by the Company.

**Disclaimers**

Save as disclosed above and apart from intra-group liabilities, at the close of business on 31 October 2012, the Group did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

**2. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that after taking into account the internal financial resources of the Group and the consideration to be received in connection with the Disposal, the Group will have sufficient working capital for at least the next twelve months from the date of this circular.

**3. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules 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 circular is accurate and complete in all material respect and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein misleading.

**2. DISCLOSURE OF INTERESTS OF DIRECTORS AND CHIEF EXECUTIVES****Long position in the Shares:**

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of Shares held</b>	<b>Number of underlying Shares</b> <i>(Note)</i>	<b>Approximately percentage of interests in the issued share capital</b>
Mr. Xiao Yan	Beneficial owner	2,273,334	1,500,000	0.13%
Mr. Feng Yongming	Beneficial owner	—	1,500,000	0.05%
Mr. Li Tao	Beneficial owner	—	1,500,000	0.05%
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 of the Company*

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to the Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) pursuant to the 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.



### 3. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

#### Long Position in the Shares

Name	Type of interests	Number or attributable number of Shares or underlying Shares held	Approximately percentage of interests
Mr. Choi Chung Lam (Note)	Interest in controlled corporation	623,542,451 (L)	22.2%
Team Effort Investments Limited (Note)	Beneficial owner	623,542,451 (L)	22.2%

L: Long position

Note: 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.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person (other than a Director or chief executive of the Company) who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, or substantial shareholders as recorded in the register of substantial shareholders required to be kept by the Company under section 336 of the SFO.

### 4. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group since 30 June 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates were interested in any business apart from the Group's businesses, which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group.

## 6. MATERIAL CONTRACTS

The following contracts have been entered into by the Group (not being contracts entered into in the ordinary course of business of the Company) within the two years immediately preceding the issue of this circular and up to the Latest Practicable Date and are or may be material:

- (i) The subscription agreements dated 12 December 2012 entered into between the Company and Mr. Yuan Hailin and Mr. Tan Zhenyu respectively in relation to the placing of a total of 300,000,000 subscription Shares at a price of HK\$0.30 per subscription Share;
- (ii) the sale and purchase Agreement dated 7 December 2012 entered into between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, as purchaser and煙台新潮實業股份有限公司 (Yantai Xinchao Industry Co., Ltd), as vendor, in relation to the sale and purchase 25% equity interests in 煙台新牟電纜有限公司 (Yantai Xinmu Cable Co., Ltd), at a cash consideration of RMB139,000,000;
- (iii) the placing agreement dated 22 November 2012 entered into between the Company and Emperor Securities Limited in relation to the placing of HK\$150 million of bonds;
- (iv) the Sale and Purchase Agreement;
- (v) the cooperation agreements dated 28 May 2011 entered into between Shenzhen Champion Maxiumic Group Co., Ltd., a wholly owned subsidiary of the Company, Yanggao County Television Broadcasts of Datong City in Shanxi Province and Tianzhen County Television Broadcasts and Network Co., Ltd. of Datong City in Shanxi Province respectively, both are government authorised digital cable television network constructors and operators in Shanxi province, pursuant to which the parties will develop and construct strategic cooperation relationships to develop the digital cable television broadcasting network and expand the subscriber base in digital cable television in the rural areas in Shanxi province in China; and

- (vi) the agreement dated 29 December 2010 entered into between in relation to GEM Global Yield Fund Limited, GEM Management Limited and Team Effort Investments Limited in relation to the grant of the option to require GEM Global Yield Fund Limited to subscribe for up to HK\$400 million worth of Shares structured under the equity line of credit; and (2) has agreed to issue to GEM Global Yield Fund Limited or to its order the warrants.

## **7. SERVICE CONTRACT**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contracts with the Company or any other member of the Group (excluding contracts expiring or which may be terminated by the Company within one year without payment of any compensation (other than statutory compensation)).

## **8. LITIGATION**

As at the Latest Practicable Date, so far as the Directors are aware, no member of the Group was engaged in any litigation, arbitration or claim of material importance and there was no litigation, arbitration or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## **9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at Unit 2, 24/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong from the date of this circular up to and including the date of SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports of the Company for the three financial years ended 30 June 2010, 2011 and 2012;
- (c) the material contracts as referred to in this paragraph headed “Material Contracts” in this appendix; and
- (d) this circular.

**10. MISCELLANEOUS**

- (a) The company secretary of the Company is Ms. Cheng Kit Sum Clara who is a member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.
- (b) The compliance officer of the Company is Mr. Feng Yongming, who is also an executive Director of the Company.
- (c) The Company's principal share registrar and transfer office is HSBC Securities Services (Bermuda) Limited at 6 Front Street, Hamilton HM 11, Bermuda and the Company's branch share registrar in Hong Kong is Union Registrars Limited at 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (d) The Company established an audit committee ("Audit Committee") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The Audit Committee's principal duties are to review and supervise the financial reporting process and internal control procedures of the Group. The existing members of the Audit Committee comprise Mr. Leung Wo Ping JP, Mr. Dong Shi and Mr. Hu Dingdong, all of whom are independent non-executive Directors. Further details of them are as follows:

**Mr. Leung Wo Ping JP ("Mr. Leung")**, aged 68, has been an independent non-executive Director and the chairman of the Audit Committee, Nomination Committee and Remuneration Committee since August 2009. Mr. Leung is a Fellow of the Institute of Chartered Accountants in England of Wales. He is a tax professional, having engaged in UK tax, Hong Kong tax and international tax planning for over 30 years. Currently, he is a senior advisor of Crowe Horwath (HK) CPA Limited, one of the major accounting firms in Hong Kong. Apart from his professional work, Mr. Leung has actively participated in community affairs since 1983. He had been a Regional Councillor for 5 years and a District Councillor for 18 years. He is also a Councillor of the New Territories Heung Yee Kuk. He currently serves on various Boards and Committees including the Hospital Authority's Hospital Governing Committee of Tai Po Hospital, United Christian Nethersole Community Health Service Management Committee and the Human Organ Transplant Board. He was a District Advisor to the Hong Kong Branch of Xinhua News Agency before 1997. Mr. Leung was awarded a Badge of Honour by Her Majesty Queen Elizabeth in 1994 for service to the community. He was also appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2000. Mr. Leung is currently an independent non-executive director of Zhuguang Holdings Group Company Limited which is listed on the Stock Exchange.

**Mr. Dong Shi (“Mr. Dong”)**, aged 49, has been an independent nonexecutive Director since October 2008. Mr. Dong graduated from Southwest University of Political Science and Law, China with a doctorate degree in law. From 1998 to present, Mr. Dong is a veteran lawyer in Shenzhen Rongguan Law Office. Currently, Mr. Dong is also a professor of international law in Southwest University of Political Science and Law, a researcher of the WTO Research Centre of Liaoning Academy of Social Science, an arbitrator of Shenzhen Arbitration Committee, and a part time professor of Chongqing Technology and Business University.

**Mr. Hu Dingdong (“Mr. Hu”)**, aged 46, has been an independent nonexecutive Director since April 2009. Mr. Hu has over 20 years of extensive experience in the investment industry and has had senior management positions with various investment and securities firms in China. Mr. Hu has completed a graduate program in finance from South Western University of Finance and Economics in China. He also has published numerous finance related articles in newspapers, magazines and journals.

- (e) The English text of this circular shall prevail over the Chinese translation in the event of inconsistency.

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## NOTICE OF SGM

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### HENG XIN CHINA HOLDINGS LIMITED

### 恒芯中國控股有限公司\*

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8046)

#### NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the special general meeting of Heng Xin China Holdings Limited (“**Company**”) will be held at 10:30 a.m. on Friday, 4 January 2013 at Unit 2, 24/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong to consider and, if thought fit, approve the following ordinary resolution:

#### ORDINARY RESOLUTION

“**THAT:**

- (a) the sale and purchase agreement dated 20 October 2012 and entered into between America Assets Holding Group Limited (the “**Purchaser**”) as purchaser and Star Hub Investments Limited (the “**Vendor**”), an indirect wholly owned subsidiary of the Company, as vendor (the “**Sale and Purchase Agreement**”) (a copy of which has been produced to the meeting marked “A” and signed by the chairman of the meeting for the purpose of identification), pursuant to which the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire issued share capital of Magic Golden Limited at RMB328 million in cash, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;
- (b) the directors of the Company (“**Directors**”) be and are hereby authorised, for and on behalf of the Company, to take all steps necessary or expedient in their opinion to implement and/or give effect to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder; and

\* For identification purpose only

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## NOTICE OF SGM

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- (c) the Directors be and are hereby authorised, for and on behalf of the Company, to execute all such other documents, instruments and agreements and to do all such acts or things deemed by them to be incidental to, ancillary to or in connection with the matters contemplated under the Sale and Purchase Agreement and to agree to any amendment to the terms of the Sale and Purchase Agreement which in the opinion of the Directors is not of a material nature and is in the interests of the Company.”

Yours faithfully

By Order of the Board

**HENG XIN CHINA HOLDINGS LIMITED**

**Xiao Yan**

*Chief Executive Officer*

Hong Kong, 17 December 2012

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Head office and principal place  
of business in Hong Kong:*

Unit 2, 24/F  
Harcourt House  
39 Gloucester Road  
Wanchai  
Hong Kong

*As at the date of this notice, the directors of the Company are as follows:*

*Executive Directors:*

Mr. Xiao Yan (*Chief Executive Officer*)  
Mr. Feng Yongming  
Mr. Li Tao

*Non-executive Director:*

Mr. Xu Lei

*Independent non-executive Directors:*

Mr. Leung Wo Ping *JP*  
Mr. Dong Shi  
Mr. Hu Dingdong

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## NOTICE OF SGM

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*Notes:*

- (1) A member of the Company entitled to attend and vote at the special general meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the special general meeting to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (2) In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, at the office of the Company's branch registrar in Hong Kong, Union Registrars Limited, 18/F, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
- (3) Completion and return of an instrument appointing a proxy should not preclude a shareholder of the Company from attending and voting in person at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
- (4) Where there are joint holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s), and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.