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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 22 July 2013, the Purchaser and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell to the Purchaser, and the Purchaser agreed to purchase from the Vendors in aggregate 51% of the equity interests in the Target Company, at a total consideration of RMB25,500,000 (equivalent to approximately HK\$32,130,000), which will be satisfied in cash. Upon Completion, the Target Company will become an indirect non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the Group's financial results.

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.

THE ACQUISITION

On 22 July 2013 (after trading hours of the Stock Exchange), the Purchaser and the Vendors entered into the Sale and Purchase Agreement, pursuant to which the Vendors agreed to sell to the Purchaser, and the Purchaser agreed to purchase from the Vendors in aggregate 51% of the equity interests in the Target Company, at a total consideration of RMB25,500,000 (equivalent to approximately HK\$32,130,000), which will be satisfied in cash.

The Sale and Purchase Agreement

Date: 22 July 2013

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

* For identification purposes only

Vendors: Mr. Wang Long and Ms. Zhou Mei

The Target Company is owned as to 60% by Mr. Wang Long and as to 40% by Ms. Zhou Mei. Pursuant to the Sale and Purchase Agreement, Mr. Wang Long and Ms. Zhou Mei will sell 11% and 40% equity interests in the Target Company to the Purchaser respectively.

To the best knowledge, information and belief of the Directors having made all reasonable enquiry and so far as the Directors are aware, the Vendors are Independent Third Parties.

Consideration

The total consideration for the Acquisition is RMB25,500,000 (equivalent to approximately HK\$32,130,000). The consideration will be satisfied by the Purchaser in the following manner:—

- (a) as to RMB5,500,000 (equivalent to approximately HK\$6,930,000) in cash payable to Mr. Wang Long within 3 business days from the date of Completion; and
- (b) as to RMB20,000,000 (equivalent to approximately HK\$25,200,000) in cash payable to Ms. Zhou Mei within 3 business days from the date of Completion.

The consideration was arrived at after arm's length negotiations between the Purchaser and the Vendors with reference to registered capital of RMB50,000,000, and the net asset value of approximately RMB42.8 million of the Target Company as at 31 May 2013.

The Directors consider that the terms of the transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Completion

Completion shall take place on the date on which registration of the changes to the holders of equity interests, the directors and the legal representative of the Target Company in relation to the Acquisition with the Beijing Administration for Industry and Commerce is completed, which is expected to take place within 45 business days from the date of the Sale and Purchase Agreement.

INFORMATION ON THE COMPANY AND PURCHASER

The Company is an investment holding company. The Group is principally engaged in the 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 the wireless digital terrestrial television network equipment integrated business, and research, design, manufacturing and trading of information safety products.

INFORMATION ON THE TARGET COMPANY

The Target Company is principally engaged in (i) project investment; (ii) investment management; (iii) investment consulting; and (iv) the sale and trading of metal materials and mineral products.

The Target Company currently holds a 30% equity interests in a copper mining company in Lijiang, Yunnan, the PRC, established in June 2012 and has a registered and paid-in capital of RMB100 million. The said company has a valid mining license for a copper mine covering a total area of 1.6747 sq.km. in Gucheng district, Lijiang, Yunnan, with an approved production limit of 30,000 tonnes per annum, for a period from July 2012 to February 2018. According to the Vendor, the copper mine has close access to established roads and rail infrastructure which provide convenient transport for the copper, and has close proximity with electricity, water and other utilities which are sufficient for its anticipated scale of operation. The copper mine commenced operation in the 1960s under various previous owners and has since the late 1990s ceased operation. The mining company in which the Target Company has a 30% equity interests is in the process of obtaining all relevant environmental and safety approvals for the resumption of operation of the mine. According to the Evaluation Report on Mineral Resources Reserve issued by the Mineral Resources Reserve Evaluation Centre of the Ministry of Land and Resources of Yunnan on 10 December 2009 and filed with the Ministry of Land and Resources of Yunnan on 22 December 2009, the copper mine has approximately 2,999 tonnes of indicated copper resource and 2,812 tonnes of inferred copper resource based on the China Solid Mineral Reserve/Resource Classification System.

In addition, the Target Company is committed to invest in aggregate approximately RMB148 million into the following potential projects:—

- (i) 34.02% equity interests in a gold mining company in Inner Mongolia, the PRC, established in April 2008 and has a registered and paid-in capital of RMB 1 million. The said company has a valid mining license for a gold mine covering a total area of 1.914 sq.km. in Dixinhui County, Inner Mongolia, with an approved production limit of 30,000 tonnes per annum, for a period from April 2011 to April 2016; and
- (ii) the entire equity interests in two companies in Xinjiang, the PRC, which hold various exploration rights in lead-zinc and copper mines.

The Target Company has obtained project financing to fund the investments. If Completion takes place, the Company will make appropriate announcements in respect of the aforesaid investments by the Target Company in compliance with the GEM Listing Rule wherever necessary.

Other than the aforesaid approximately RMB148 million of proposed investments, the Target Company has no other capital commitment in connection with any investment and so far as the Target Company is aware, the copper mine in Lijiang, Yunnan described above does not have any capital requirement in the near future.

Financial information on the Target Company

The net asset of the Target Company as at 31 May 2013 is approximately RMB42.8 million (equivalent to approximately HK\$54.1 million).

The net profits before and after taxation and extraordinary items of the Target Company for each of the two years ended 31 December 2011 and 2012 are set out below:

	Year ended 31 December	
	2011	2012
Net loss before taxation and extraordinary items	RMB 225,000 (equiv. to HK\$284,000)	RMB4.35 million (equiv. to HK\$5.48 million)
Net loss after taxation and extraordinary items	RMB 225,000 (equiv. to HK\$284,000)	RMB4.35 million (equiv. to HK\$5.48 million)

REASONS FOR THE ACQUISITION

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 Company has been exploring potential business opportunities with a view to enhancing its earning potential through diversification of business risks. The Company considers the Acquisition as a good opportunity to venture into a new business and broaden its revenue base. Meanwhile, the Company will continue to explore other business opportunities to diversify into other industries with good business potential and growth prospects.

FINANCIAL EFFECT OF THE ACQUISITION

The Target Company will become an indirect non-wholly-owned subsidiary of the Company and the financial figures of the Target Company will be consolidated into the accounts of the Group upon Completion. It is expected that the Acquisition will increase both the total asset and liabilities of the Group upon Completion.

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 51% of the 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(ies)”	a party/parties and, if applicable, the ultimate beneficial owner of the party(ies), who does/do not fall within the definition of connected persons of the Company under Chapter 20 of the GEM Listing Rules and is/are independent of the connected persons of the Company and their associates (as defined in the GEM Listing Rules)
“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 22 July 2013 entered into between the Purchaser and the Vendors in relation to the sale and purchase of the Sale Share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sale Shares”	51% of the equity interest in the Target Company
“Target Company”	中礦京資投資有限公司 (Zhong Kuang Jing Zi Investment Co., Ltd*), a limited liability company incorporated in the PRC on 14 December 2007, which has a paid-up registered capital of RMB50 million
“Vendors”	Mr. Wang Long and Ms. Zhou Mei
“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\$1.26. 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, 22 July 2013

* *For identification purposes only*

As at the date of this announcement, the Board comprises Mr. Xiao Yan (CEO), Mr. Li Tao and Mr. Qiu Bin 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 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.