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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 26 September 2013, 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 in aggregate 70% of the equity interests in the Target Company, at a total consideration of RMB100,000,000 (equivalent to approximately HK\$127,000,000), 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 26 September 2013 (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 in aggregate 70% of the equity interests in the Target Company, at a total consideration of RMB100,000,000 (equivalent to approximately HK\$127,000,000), which will be satisfied in cash.

The Sale and Purchase Agreement

Date: 26 September 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. Lin Anming

The Target Company is owned as to 90% by Mr. Lin.

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.

Consideration

The total consideration for the Acquisition is RMB100,000,000 (equivalent to approximately HK\$127,000,000). The consideration will be satisfied by the Purchaser in the following manner:-

- (a) as to RMB15,000,000 (equivalent to approximately HK\$19,050,000) in cash as deposit (the “Deposit”) payable within 3 business days from the date of the Sale and Purchase Agreement; and
- (b) as to RMB85,000,000 (equivalent to approximately HK\$107,950,000) in cash payable within 3 business days from the date of Completion.

The consideration was arrived at after arm’s length negotiations between the Purchaser and the Vendor with reference to (i) the net unaudited asset value of approximately RMB81 million of the Target Group as at 31 July 2013, (ii) the preliminary valuation of 70% equity interests in the Target Group which was conducted based on market approach at approximately RMB111,000,000 and (iii) the Profit Guarantee undertaken by the Vendor.

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.

Profit Guarantee

The Vendor irrevocably warrants and guarantees to the Purchaser that the audited consolidated net profits after tax (based on Hong Kong Financial Reporting Standards) of the Target Group (the “Actual Profit”) for the 12 months period from 1 October 2013 to 30 September 2014 (the “Guarantee Period”) will not be less than RMB28,000,000 (the “Guaranteed Profit”).

If the Actual Profit for the Guaranteed Period is less than the Guaranteed Profit, then the Vendor shall pay the Purchaser in cash within seven (7) days upon the issue of the audited report in an amount calculated as compensation as follows:

$$(\text{Guaranteed Profit} - \text{Actual Profit}) \times 70\% \times 5 \text{ (Note)}$$

Note: Being the implied price-to-earning ratio of the Acquisition

If the Target Group records a loss in its audited consolidated financial statements for the Guaranteed Period, the Actual Profit for the Guaranteed Period shall be deemed as zero for the purpose of the calculation of the compensation.

The Vendor and the Purchaser shall procure that the audited consolidated financial statements of the Target Group for the Guarantee Period shall be prepared and reported by the auditors appointed by the Company within three months after the expiry of the Guarantee Period.

Further announcement will be made by the Company shall the Target Group fail to achieve the Guaranteed Profit.

Conditions precedent

Completion shall be conditional upon satisfaction or waiver (if applicable) of each of the following conditions precedent:

- (a) the Purchaser being satisfied with the results of the due diligence review of the Target Group to be conducted under the Sale and Purchase Agreement;
- (b) all necessary consents, licenses and approvals required to be obtained on the part of the Vendor and the Target Group in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (c) all necessary consents, licenses and approvals required to be obtained on the part of the Purchaser in respect of the Sale and Purchase Agreement and the transactions contemplated thereby having been obtained and remain in full force and effect;
- (d) the Purchaser having obtained a PRC legal opinion (in such form and substance satisfactory to the Purchaser) by the Purchaser from a PRC legal adviser appointed by the Purchaser in relation to, inter alia, the due establishment, continuity and legality of the Target Group;
- (e) the warranties contained in the Sale and Purchase Agreement remaining true and accurate in all respects;
- (f) the obtaining of a valuation report (in such form and substance satisfactory to the Purchaser) by the Purchaser from a firm of independent professional valuers appointed by the Purchaser showing the valuation of 70% equity interest in the Target Group to be not less than RMB100,000,000; and
- (h) the Purchaser being satisfied that there has not been any material adverse change on the financial position, business or property, results of operations of the Target Group as a whole since the date of the Sale and Purchase Agreement.

Completion

Completion shall take place on the date on which all the conditions precedent are satisfied or waived (as the case may be) and the registration and filings of the changes to the holders of equity interests in relation to the Acquisition, amendments to the articles of association of the Target Company, changes to the directors, supervisor and the senior management of the Target Group with the Yunnan Administration for Industry and Commerce is completed. If satisfaction or waiver (as the case may be) of the conditions precedent and registration of the changes mentioned above do not take place within twenty business days after the date on which the Deposit was paid to the Vendor, the Sale and Purchase Agreement will be terminated automatically and the Vendor shall refund to the Purchaser any part of the consideration of the Acquisition which has already been paid to the Vendor without interest within three business days after his receipt of the refund notice from the Purchaser.

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, research, design, manufacturing and trading of information safety products, and investment, consulting, sale and trading of metal materials and mineral products.

INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in the PRC on 19 December 2007 with a paid-up registered capital of RMB80 million. The Target Company is principally engaged in the ore and tailing treatment and processing, and trading of mineral products. It has obtained the production safety permit and pollutant emission permit from relevant local regulatory bodies. The daily ore processing capacity of its treatment mill has reached 1,000 tonnes.

The Target Company has a wholly-owned subsidiary with a paid up registered capital of RMB20 million, which owns a lead-zinc and copper mine in Yunnan with a valid mining license covering a total area of 3.1003 sq.km. for a period from 26 August 2010 to 26 August 2017.

In addition, the Target Company is evaluating an investment in 19% equity interests of a mining company, which owns iron, copper and silver mines in Lijiang, Yunnan.

Unaudited financial information on the Target Company extracted from financial statements prepared under PRC Financial Reporting Standards.

The net asset of the Target Group as at 31 July 2013 is approximately RMB81 million (equivalent to approximately HK\$103 million).

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

	Year ended 31 December	
	2011	2012
Net (loss)/profit before taxation and extraordinary items	RMB(1.6) million (equiv. to HK\$(2.0) million)	RMB5.1 million (equiv. to HK\$6.5 million)
Net (loss)/profit after taxation and extraordinary items	RMB(1.6) million (equiv. to HK\$(2.0) million)	RMB5.1 million (equiv. to HK\$6.5 million)

REASONS FOR THE ACQUISITION

The Company has been exploring potential business opportunities with a view to enhancing its earning potential through diversification of business risks. The Company had just completed the acquisition of a company engaging in investment, consulting, sale and trading of metal materials and mineral products. The Company considers the Acquisition to be complementary to the previous acquisition and a good opportunity to 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 Group 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. The Acquisition will be financed by internal resources of the Group.

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 70% 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 26 September 2013 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	雲南迪慶泰安礦業有限公司 (Yunnan Diqing Taian Mining Co., Ltd*), a limited liability company incorporated in the PRC on 19 December 2007, with paid-up registered capital of RMB80 million
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Mr. Lin Anming
“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\$1.27. 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, 26 September 2013

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.