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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 ASSETS  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**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 Monday, 10 March 2014 at 11:00 a.m. is set out on pages 22 to 24 of this circular. An ordinary resolution will be proposed at the SGM to consider and, if thought fit, to approve amongst others, the Termination 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 the time 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>.

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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:*

“Assets”	being telecommunication equipment in relation to digital cable television broadcasting network
“Board”	the board of Directors
“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 Disposal under the Termination Agreement
“Cooperation Agreement”	the business cooperation agreement dated 26 November 2010 made between the Vendor and Hebei TV together with the subsequent subsidiary contracts made between the Vendor and the Purchaser (which will perform the Cooperation Agreement for Hebei TV) with detailed terms on the technical cooperation and the construction and operation of the networks between the parties
“Directors”	the directors of the Company
“Disposal”	disposal of the Assets pursuant to the provisions of the Termination Agreement
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hebei TV”	Hebei Television Broadcasts and Information Network Group Co., Ltd* (河北廣電信息網絡集團股份有限公司), a State-owned enterprise established in Hebei and the sole government authorized digital cable television network constructor and operator in Hebei Province

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## DEFINITIONS

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“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)
“Latest Practicable Date”	19 February 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Purchaser”	Hebei Guangdian Network Investment Limited* (河北廣電網絡投資有限公司), a wholly-owned subsidiary of Hebei TV
“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
“Shareholders”	holders of Shares
“Share(s)”	ordinary share(s) 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 Termination Agreement and the transactions contemplated thereunder
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Termination Agreement”	the conditional termination agreement dated 31 December 2013 entered into between the Vendor and the Purchaser in relation to, among others, the sale and purchase of the Assets, and the termination of the Cooperation Agreement
“Vendor”	Shenzhen Champion Maxiumic Group Co., Limited* (深圳中澤明芯集團有限公司), an indirect wholly-owned subsidiary of the Company

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## DEFINITIONS

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“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\$1.28. 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.*

*\* For identification purpose only*

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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. Qiu Bin

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

21 February 2014

*To the Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION  
DISPOSAL OF ASSETS**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 31 December 2013 relating to, among others, the Disposal.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### THE DISPOSAL

Reference is made to the announcement of the Company dated 26 November 2010 regarding the business cooperation agreement made on the same date between the Vendor as part of its digital cable television business and Hebei TV in respect of the development and construction of digital cable television broadcasting networks in the rural areas of Hebei. Under the said agreement, which has a term of 15 years, the Vendor would provide to Hebei TV, among other things, the necessary telecommunication equipment and technical services for constructing the cable digital television networks in rural Hebei in return for a share of the revenue received by Hebei TV from its television subscribers. Subsequently, various subsidiary contracts were entered into between the Vendor and the Purchaser, a wholly-owned subsidiary of Hebei TV which was designated by Hebei TV to perform the Cooperation Agreement, with detailed terms on the technical cooperation and the construction and operation of the networks between the parties.

As at 31 October 2013, the total amount of accounts receivable due from the Purchaser, representing the Vendor's share of revenue from television subscribers in Hebei under the Cooperation Agreement, was approximately RMB120.5 million (equivalent to approximately HK\$154.2 million). Owing to certain disputes between the Purchaser and the Vendor in relation to their respective obligations under the Cooperation Agreement as further described under the section headed "Reasons for the Disposal" below, the Vendor and the Purchaser agreed to terminate their cooperation and settle their accrued rights and obligations under the Cooperation Agreement. Accordingly, they entered into the Termination Agreement on 31 December 2013.

### THE TERMINATION AGREEMENT

On 31 December 2013 (after trading hours of the Stock Exchange), the Vendor and the Purchaser entered into the Termination Agreement, pursuant to which the Vendor conditionally agreed to sell to the Purchaser, and the Purchaser conditionally agreed to purchase from the Vendor, the Assets in three tranches at a total consideration of RMB108 million (equivalent to approximately HK\$138.2 million), which will be satisfied in full by cash upon completion of each of the tranches.



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## LETTER FROM THE BOARD

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### Termination Agreement

**Date:** 31 December 2013

### Parties

**Vendor:** Shenzhen Champion Maxiumic Group Co., Limited\* (深圳中澤明芯集團有限公司), an indirect wholly-owned subsidiary of the Company

**Purchaser:** Hebei Guangdian Network Investment Limited\* (河北廣電網絡投資有限公司)

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 of*

The Assets represent the telecommunication equipment previously provided by the Vendor under the Cooperation Agreement for the purpose of constructing the cable digital television networks in rural Hebei with an aggregate net book value as at 31 October 2013 of RMB88.3 million (equivalent to approximately HK\$113.0 million).

The disposal of the Assets shall be completed in three tranches. Upon the Final Completion, the Vendor will waive all its rights to the accounts receivable accrued up to the date of the Final Completion due from the Purchaser, representing the Vendor's share of the revenue from the subscribers in Hebei under the Cooperation Agreement.

### *Consideration*

The total consideration for the sale and purchase of the Assets is RMB108 million (equivalent to approximately HK\$138.2 million). The consideration will be paid in cash by the Purchaser in the following manner:

- (i) as to RMB30 million (equivalent to approximately HK\$38.4 million) as a refundable deposit (the "Deposit") within five days from the date of the Termination Agreement;

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## LETTER FROM THE BOARD

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- (ii) as to RMB30 million (equivalent to approximately HK\$38.4 million) as the first completion payment (to be satisfied by the application of the Deposit) (the **“First Payment”**) immediately after the Shareholders’ approval of the Disposal on the SGM. Upon the settlement of the First Payment, the Company shall pass the title to a portion of the Assets (as specified in the Termination Agreement) with a book value of approximately RMB30 million to the Purchaser (the **“First Completion”**);
- (iii) subject to the First Completion having taken place, as to RMB20 million (equivalent to approximately HK\$25.6 million) as the second completion payment (the **“Second Payment”**) within 180 days after the First Payment or on 30 June 2014, whichever is earlier. Upon the settlement of the Second Payment, the Company shall pass the title to a portion of the Assets (as specified in the Termination Agreement) with a book value of approximately RMB20 million to the Purchaser (the **“Second Completion”**); and
- (iv) subject to the First Completion and Second Completion having taken place, as to RMB58 million (equivalent to approximately HK\$74.2 million) as the third and final completion payment (the **“Third Payment”**) within 180 days after the Second Payment or on 31 December 2014, whichever is earlier. Upon the settlement of the Third Payment and the delivery by the Purchaser of a confirmation signed by Hebei TV confirming the termination of the Cooperation Agreement, the Vendor shall pass the title to the balance of the Assets (as specified in the Termination Agreement) with a book value of approximately RMB58 million to the Purchaser (the **“Final Completion”**).

In the event the Disposal is not approved by Shareholders at the SGM, the Deposit (without interest) shall be refunded to the Purchaser on the next business day after the SGM and the Termination Agreement shall then be terminated.

Subject to the Final Completion having taken place, the Company shall waive all its rights to the accounts receivable accrued up to the date of the Final Completion due from the Purchaser, representing the Vendor’s share of the revenue from the subscribers in Hebei under the Cooperation Agreement. As at 31 October 2013, the total amount of the accounts receivable was approximately RMB120.5 million (equivalent to approximately HK\$154.2 million).

The consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser, with reference to (i) the net book value of the Assets of approximately RMB88.3 million as at 31 October 2013; (ii) the balance of accounts receivable of approximately RMB120.5 million attributable to the Assets as at 31 October 2013; and (iii) the reasons for the Disposal as set out below.

The Directors consider the consideration of the Disposal to be fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### *Conditions precedent*

Completion of the Disposal is conditional upon, among other things, the satisfaction of the following conditions:

- (a) the receipt by the Vendor of the Deposit; and
- (b) the passing by the Shareholders at the SGM of an ordinary resolution approving the transactions under the Termination Agreement in accordance with the requirements of the Listing Rules.

### **INFORMATION OF THE COMPANY, VENDOR 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 Vendor is an indirect wholly-owned subsidiary of the Company established in Shenzhen, PRC. The Vendor is principally engaged in the digital cable television business and the provision of technical services.

The Purchaser is a wholly-owned subsidiary of Hebei TV. The Purchaser is principally engaged in digital television network construction, conversion, digitalisation and related technical standard setting in the rural area.

### **INFORMATION OF THE ASSETS**

The Assets are telecommunication equipment in relation to digital cable television broadcasting network comprising set-top boxes, coaxial cables, optic fiber cables, optical transmitters and other peripheral equipment.

### *Financial information on the Assets*

The unaudited net book value of the Assets as at 31 October 2013 is approximately RMB88.3 million (equivalent to approximately HK\$113.0 million).

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## LETTER FROM THE BOARD

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The unaudited financial information attributable to the Assets for financial years ended 30 June 2011, 30 June 2012, for the six months ended 31 December 2012 and 30 June 2013 are set out below:

	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 31 December 2012</b>	<b>For the year ended 30 June 2012</b>	<b>For the year ended 30 June 2011</b>
Turnover	RMB30 million (equiv. to HK\$38.4 million)	RMB30 million (equiv. to HK\$38.4 million)	RMB42 million (equiv. to HK\$53.8 million)	RMB60 million (equiv. to HK\$76.8 million)
Net profit before taxation and extraordinary items	RMB25 million (equiv. to HK\$32.2 million)	RMB19 million (equiv. to HK\$24.3 million)	RMB39 million (equiv. to HK\$49.9 million)	RMB49 million (equiv. to HK\$62.7 million)
Net profit after taxation and extraordinary items	RMB25 million (equiv. to HK\$32.2 million)	RMB19 million (equiv. to HK\$24.3 million)	RMB39 million (equiv. to HK\$49.9 million)	RMB49 million (equiv. to HK\$62.7 million)

### REASONS FOR THE DISPOSAL

When the Vendor and Hebei TV entered into the Cooperation Agreement, it was contemplated that the initial subscriber base of the digital cable television under the Cooperating Agreement would be at least 0.5 million to be phased in over three years. It was expected that the Vendor would be able to provide the relevant telecommunication equipment in an aggregate amount of RMB275 million (equivalent to HK\$350.9 million) over the three years. To date, the Vendor has provided equipment in an aggregate amount of RMB104 million (equivalent to HK\$133.1 million). As such, the Vendor was accused by the Purchaser of failing to provide the related equipment in accordance with the time schedule set by the parties. However, the Company categorically denies the existing of such commitment pursuant to the Cooperation Agreement dated 26 November 2010 and other subsidiary agreements. The Board was of the opinion that the dispute was considered to be raised by a misunderstanding between the parties and that it should be easily resolvable. In late November 2013, the Purchaser informed the Company that it, at the direction of Hebei TV, will withhold payment of the Vendor's share of the revenue from subscribers in Hebei accrued over the years, resulting in an aggregate amount of accounts receivable of approximately RMB120.5 million (equivalent to HK\$154.2 million) as at 31 October 2013, following which the Company promptly negotiated with Hebei TV to arrive at the Termination Agreement.

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## LETTER FROM THE BOARD

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After consulting the PRC legal counsel and taking into account the uncertainty regarding the dispute resolution provision under the Cooperation Agreement, the time and costs of initiating legal actions against the Purchaser and subsequently enforcing any judgment obtained in Hebei, the certainty of recover most of the investment cost in the Assets and the availability of other business opportunities which may be available to the Company, the Directors consider the entering into of the Termination Agreement, with the expected receipt of the consideration for the Disposal, to be in the best interest of the Company and its shareholders as a whole.

Owing to the specific industry feature of the digital television business with long credit period and huge upfront capital commitment, it is the strategic plan of the Company to gradually diversify its business to other areas. For example, the Company entered into two discloseable transactions in July and September 2013 respectively for the purpose of diversifying the Company's business into project investment and management, and ore processing and trading of mineral products. The Directors are of the opinion that the business environment in the Group's new businesses is more healthy and predictable as compared to that of the telecommunication sector, in which a few dominant players could manipulate the market or impose unfair trade practices.

After considering the business opportunities in other areas, the Directors consider that entering into the Termination Agreement could provide the Company with the certainty of a positive cashflow in a foreseeable future such that it could utilise the cash in other profitable investment in an effective way.

The Directors consider that the terms of the Termination Agreement are fair and reasonable and in the interest of the Company and Shareholders as a whole.

### **FINANCIAL EFFECT OF THE DISPOSAL**

The actual financial effect from the Disposal to be accounted for in the consolidated financial statements of the Company for the financial year ended 31 December 2013 will be computed based on the financial information of the Disposal as at Completion and which is subject to audit.

For illustrative purposes, there is an estimated loss of approximately RMB100.8 million (equivalent to approximately HK\$129.0 million) arising on the Disposal based on the consideration of RMB108 million (equivalent to approximately HK\$138.2 million), the net book value of the Assets as at 31 October 2013 of approximately RMB88.3 million (equivalent to approximately HK\$113.0 million), and the balance of accounts receivable of approximately RMB120.5 million (equivalent to approximately HK\$154.2 million) as at 31 October 2013 in relation to the digital cable television operation due from the Purchaser.

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

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## LETTER FROM THE BOARD

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### INFORMATION AND TRADING PROSPECTS OF THE GROUP

Upon Completion, the development plan of the Group is to focus on the growth of the following major business segments, namely, (i) digital cable television, (ii) wireless digital television value-added services, (iii) encrypted integrated circuits, (iv) wireless digital audio integrated circuits, (v) wireless digital terrestrial television network equipment integration, (vi) project investment and management, and (vii) ore processing and trading of mineral products. The telecommunication businesses will still account for the main businesses of the Group after completion of the Disposal.

Assuming completion of the Disposal, the segmental revenue of the above principal business for financial years ended 30 June 2011, 30 June 2012, for the six months ended 31 December 2012 and 30 June 2013 are set out below:—

<b>Business segments</b>	<b>For the six months ended 30 June 2013 <i>HK\$ million</i></b>	<b>For the six months ended 31 December 2012 <i>HK\$ million</i></b>	<b>For the year ended 30 June 2012 <i>HK\$ million</i></b>	<b>For the year ended 30 June 2011 <i>HK\$ million</i></b>
(i) Digital cable television	53	28	101	96
(ii) Wireless digital television value-added services	33	46	48	Nil
(iii) Encrypted integrated circuits	12	3	102	265
(iv) Wireless digital audio integrated circuits	15	37	184	188
(v) Wireless digital terrestrial television network equipment integration	47	149	126	57
<b>Total Revenue</b>	<b>160</b>	<b>263</b>	<b>561</b>	<b>606</b>

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## LETTER FROM THE BOARD

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The unaudited financial information of the Group for financial years ended 30 June 2011, 30 June 2012, for the six months ended 31 December 2012 and 30 June 2013 (after carving out the result attributable to the Assets) are set out below:

	<b>For the six months ended 30 June 2013</b>	<b>For the six months ended 31 December 2012</b>	<b>For the year ended 30 June 2012</b>	<b>For the year ended 30 June 2011</b>
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Turnover	160	263	561	606
Net profit/(loss) before taxation and extraordinary items	4	(14)	119	177
Net profit/(loss) after taxation and extraordinary items	(9)	(23)	105	149

Based on the above financial figures, the Board considers that the Group has substantial businesses to support the operation of the Group in the future even after completion of the Disposal.

The principal key trading factor and risk of the Group's digital cable television business is that most of its key customers or ultimate customers are the sole state-owned broadcasting entity in their respective province or region. However, as disclosed above, the Group may need to face a longer term recoverability of accounts 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 or customer-relationship not be up to the required standards or should there be any business disputes, the Group's business in such provinces or regions may be seriously affected and the Group may not be able to procure further businesses in such respective provinces or regions.

Given such business risk and the long recoverability of accounts receivable in such industry, the strategic plan of the Group is to gradually diversify its business in a prudent way to other areas with good business potential and growth prospects with a view to enhancing its earning potential through diversification of business risks. The Group announced on 22 July 2013 of its first diversification move to acquire 51% of the equity interests in Zhong Kuang Jing Zi Investment Co., Ltd, which 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. This acquisition was completed in August 2013. On 26 September 2013, the Group entered into another acquisition to invest in 70% equity interests in Yunnan Diqing Taian Mining Co., Ltd, which is principally engaged in the ore and tailing treatment and processing, and trading of mineral products.

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## LETTER FROM THE BOARD

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### IMPLICATIONS OF THE DISPOSAL UNDER THE GEM LISTING RULES

As the Disposal, together with the waiver of accounts receivable, exceeds 25% but does not exceed 75% under 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 Termination Agreement.

### SGM

A notice convening the SGM to be held at Unit 2, 24/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Monday, 10 March 2014 at 11:00 a.m. is set out on pages 22 to 24 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).

### RECOMMENDATION

The Board considers that the terms of the Termination 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 Termination 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.**



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## LETTER FROM THE BOARD

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### 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 December 2013, 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>
Finance Lease	0.02
Bank borrowings ( <i>Note</i> )	6.14
Notes payable	150.00
	<hr/>
	156.16
	<hr/> <hr/>

*Note:*

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

**Disclaimers**

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have any debt securities issued and outstanding or agreed to be issued, term loans, loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured and unsecured, guarantees or other material contingent liabilities at the close of business on 31 December 2013.

**2. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, after taking into consideration of its presently available financial resources, including funds internally generated from its business operations and the available financial facilities, the Group will have sufficient working capital for its business operations for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

**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 31 December 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>Approximately percentage of interests in the issued share capital</b>
Mr. Xiao Yan	Beneficial owner	2,273,334	0.07%
Mr. Qiu Bin	Beneficial owner	2,408,000	0.07%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive of the Company or other persons who are required to disclose their interests 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**

<b>Name</b>	<b>Type of interests</b>	<b>Number or attributable number of Shares or underlying Shares held</b>	<b>Approximately percentage of interests</b>
Mr. Choi Chung Lam ( <i>Note</i> )	Interest in controlled corporation	623,542,451	18.29%
Team Effort Investments Limited ( <i>Note</i> )	Beneficial owner	623,542,451	18.29%
Mr. Yang Kui	Beneficial owner	200,000,000	5.87%

*Note:*

Team Effort Investments Limited is wholly owned by Mr. Choi Chung Lam. Mr. Choi Chung Lam is deemed to be interested in the 623,542,451 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 of 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 31 December 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 Termination Agreement;
- (ii) the sale and purchase agreement dated 26 September 2013 entered into between Beijing Jinqiao Hengtai Technology Co., Ltd, an indirect wholly-owned subsidiary of the Company, and Mr. Li Anming, in relation to the possible acquisition of 51% of the equity interest in Yunnan Diqing Taian Mining Co., Ltd, which is engaged in ore and tailing treatment, and processing and trading of mineral products;
- (iii) the subscription agreement dated 10 September 2013 in relation to the allot and issue of a total 200,000,000 new Shares at a price of HK\$0.25 per Shares;
- (iv) the termination agreement dated 31 July 2013 entered into between Beijing Jinqiao Hengtai Technology Co., Ltd, an indirect wholly-owned subsidiary of the Company, and Yantai Xinchao Industry Co., Ltd to terminate the sale and purchase agreement dated 7 December 2012;
- (v) the sale and purchase agreement dated 22 July 2013 entered into between Beijing Jinqiao Hengtai Technology Co., Ltd, an indirect wholly-owned subsidiary of the Company, and Mr. Wang Long and Ms. Zhou Mei, in relation to the possible acquisition of 51% of the equity interest in Zhong Kuang Jing Zi Investment Co., Ltd, which is engaged in (i) project investment; (ii) investment management; (iii) investment consulting; and (iv) the sale and trading of metal materials and mineral products;

- (vi) the sale and purchase agreement dated 7 December 2012 entered into between Beijing Jinqiao Hengtai Technology Co., Ltd, an indirect wholly-owned subsidiary of the Company, and Yantai Xinchao Industry Co., Ltd in relation to the possible acquisition of 25% of the equity interest in Yantai Xinmu Cable Co., Ltd, which is principally engaged in 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;
- (vii) 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 bond; and
- (viii) 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.

## **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 financial years ended 30 June 2011, 30 June 2012 and for the six months ended 31 December 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 Mr. Tse Kam Fai who is a fellow member of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries. He is also a member of The Hong Kong Institute of Directors.
- (b) The compliance officer of the Company is Mr. Xiao Yan, who is also an Executive Director and the Chief Executive Officer 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 each of the Audit Committee, nomination committee (“Nomination Committee”) and remuneration committee (“Remuneration Committee”) of the Company 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 non-executive Director and a member of each of the Nomination Committee and the Remuneration Committee since October 2008. He has also been a member of the Audit Committee since February 2009. 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 non-executive Director and a member of each of the Audit Committee, the Nomination Committee and the Remuneration Committee 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 11:00 a.m. on Monday, 10 March 2014 at Unit 2, 24/F, Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong to consider and, if thought fit, pass, with or without modification pass the following resolution as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

**“THAT**

- (a) the conditional termination agreement dated 31 December 2013 (the “**Termination Agreement**”, a copy of which has been produced to the meeting and marked “A” and signed by the Chairman of the meeting for identification purpose) entered into between Shenzhen Champion Maxiumic Group Co., Limited\* (深圳中澤明芯集團有限公司), an indirect wholly-owned subsidiary of the Company, as vendor and Hebei Guangdian Network Investment Limited\* (河北廣電網絡投資有限公司) as purchaser in relation to the sale and purchase of the Assets (as defined in the circular of the Company dated 21 February 2014 (the “**Circular**”)) and the termination of the Cooperation Agreement (as defined in the Circular), and the transactions contemplated under the Termination Agreement be and are hereby approved, confirmed and ratified; and

\* For identification purpose only

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## NOTICE OF SGM

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- (b) the director(s) of the Company be and are hereby authorized for and on behalf of the Company, among other matters, to sign, execute, deliver or authorize the signing, executing and delivering of all such documents, instruments and agreements and to do all such acts and things as may be deemed by them in their absolute discretion consider to be necessary, expedient or desirable to give effect to and implement the Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 21 February 2014

*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. Li Tao  
Mr. Qiu Bin

*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. A form or proxy for use at the meeting is enclosed with the circular of the Company dated 21 February 2014.
- (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 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.