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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 TRANSACTIONS IN RELATION TO SHARE ACQUISITION

On 15 July 2014 (after trading hours of the Stock Exchange), Shenzhen Champion and Beijing Huashi entered into the Share Purchase Agreement, pursuant to which Beijing Huashi as vendor agreed to transfer 100% equity interests in the Target Company to Shenzhen Champion as purchaser at a consideration of RMB80,000,000 (equivalent to approximately HK$100,000,000).

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in relation to the Share Acquisition are exceeds 5% but does not exceed 25%, the Share 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.

BACKGROUND

Shenzhen Champion and Beijing Huashi entered into the Project Development Cooperation Agreement on 1 November 2011 to govern the construction and operation of the television networks, subscription of television channels and sharing of operating revenue between Shenzhen Champion and Beijing Huashi in Xinji, Dongguang and Qing County in Hebei Province. As at 31 March 2014, the Accounts Receivable due from Beijing Huashi to Shenzhen Champion amounted to RMB176,695,000 (or approximately HK$220,869,000), representing the sum that Shenzhen Champion is entitled to share out of the revenue generated from television subscription arrangement in Hebei under the Project Development Cooperation Agreement.

THE SHARE PURCHASE AGREEMENT

On 15 July 2014 (after trading hours of the Stock Exchange), Shenzhen Champion and Beijing Huashi entered into the Share Purchase Agreement, pursuant to which Beijing Huashi as vendor agreed to transfer 100% equity interests in the Target Company to Shenzhen Champion as purchaser at a consideration of RMB80,000,000 (equivalent to approximately HK$100,000,000).

* *For identification purposes only*

Date 15 July 2014

Parties

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

(2) Vendor: 北京華視星源科技有限公司 (Beijing Huashi Xinyuan Technology Limited*)

To the best knowledge, information and belief of the Directors having made all reasonable enquiry and so far as the Directors are aware, Beijing Huashi and its ultimate beneficial owner are Independent Third Parties.

Share Acquisition

The subject matter under the Share Acquisition being acquired by Shenzhen Champion from Beijing Huashi is the 100% equity interests in the Target Company. The consideration for the Share Acquisition is RMB80,000,000 (equivalent to approximately HK$100,000,000) which was arrived at after arm's length negotiations between Shenzhen Champion and Beijing Huashi with reference to the market value of RMB80,000,000 (equivalent to approximately HK$100,000,000 of 100% equity interest in the Target Company valued by Roma Appraisals Limited ("**Roma**"), an independent valuer on a discounted cash flow basis. In this respect, the market value of the Target Company constitutes a profit forecast for the purpose of Rule 19.61 of the GEM Listing Rules ("**Profit Forecast**") and, accordingly, the requirements under Rules 19.60A and 19.62 of the GEM Listing Rules are applicable to the Share Acquisition. Please refer to the section headed "Principal Assumptions relating to the Valuation under the Share Acquisition" in this announcement for the details of the principal assumptions for compliance with Rule 19.62 of the GEM Listing Rules.

The consideration of RMB80,000,000 (equivalent to approximately HK$100,000,000) for the Share Acquisition will be applied to off-set the Accounts Receivable of RMB176,695,000 (or approximately HK$220,869,000). As such, Shenzhen Champion is not required to make any payment to Beijing Huashi pursuant to the Share Acquisition. Shenzhen Champion will continue to negotiate with Beijing Huashi for the recovery of the remainder of the Accounts Receivable of RMB96,695,000 (equivalent to approximately HK$120,869,000) within one year after signing of the Share Purchase Agreement.

Conditions precedent

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

(a) Shenzhen Champion being satisfied with the results of the appraisal and valuation over the shares of the Target Company to be conducted under the Share Purchase Agreement;

(b) all necessary consents, licenses and approvals required to be obtained in connection with the transactions contemplated under the Share Purchase Agreement having been obtained and remain in full force and effect;

(c) the warranties contained in the Share Purchase Agreement remaining true and accurate in all respects; and

(d) Shenzhen Champion being satisfied with the due diligence on the financial position, business, property and operations of the Target Company which should be free of any litigation as well as any debts and encumbrances other than disclosed to Shenzhen Champion.

Completion

Completion of the Share Acquisition 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 Share Acquisition, amendments to the articles of association of the Target Company, changes to the directors, supervisor and the senior management of the Target Company with the Beijing 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 30 business days after the date of the Share Purchase Agreement (or such other later date as may be agreed by the parties), the Share Purchase Agreement will be terminated automatically.

Upon the Completion, both Beijing Huashi and Shenzhen Champion will be released from and discharged of their respective rights and obligations under the Project Development Cooperation Agreement except for the payment of the remainder of the Accounts Receivable stated above.

PRINCIPAL ASSUMPTIONS RELATING TO THE VALUATION UNDER THE SHARE ACQUISITION

Roma, an independent valuer, was engaged to conduct the valuation of the Target Company. The market value of the Target Company, prepared on a discounted cash flow basis, amounts to RMB80,000,000 (equivalent to approximately HK$100,000,000). In this respect, the market value of the Target Company constitutes a profit forecast (the "**Profit Forecast**") for the purpose of Rule 19.61 of the GEM Listing Rules and accordingly, the requirements under Rules 19.60A and 19.62 of the GEM Listing Rules are applicable to the Share Acquisition.

For the purpose of complying with Rule 19.62 of the GEM Listing Rules, the principal assumptions upon which the Profit Forecast is based are as follows:

1. all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operates or intends to operate would be officially obtained and renewable upon expiry;

2. the projections outlined in the financial information provided are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

3. there will be sufficient supply of technical staff in the industry in which the Target Company operates, and the Target Company will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

4. there will be no major change in the current taxation laws in the localities in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

5. there will be no major change in the political, legal, economic or financial conditions in the localities in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Target Company; and

6. interest rates and exchange rates in the localities for the operation of the Target Company will not differ materially from those presently prevailing.

The Board has reviewed the principal assumptions upon which the Profit Forecast is based and are of the view that the Profit Forecast has been made after due care and enquiry.

Cheng and Cheng Limited ("**Cheng and Cheng**"), the reporting accountant of the Company, have also reviewed the calculations of the discounted future estimated cash flows on which the valuation prepared by Roma is based.

A letter from the Board and a letter from Cheng and Cheng, are included in the appendices to this announcement for the purpose of Rules 19.60A and 19.62 of the GEM Listing Rules.

INFORMATION ON THE COMPANY AND SHENZHEN CHAMPION

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.

Shenzhen Champion is an indirect wholly-owned subsidiary of the Company established in Shenzhen, PRC. Shenzhen Champion is principally engaged in the digital cable television business and the provision of technical services.

INFORMATION ON THE TARGET COMPANY

The Target Company was incorporated in the PRC on 5 February 2004 with a paid-up registered capital of RMB5 million. The Target Company is principally engaged in processing radio and television broadcasting equipment, telecommunication equipment; high-technology products' technology development, transfer, service, consulting and training; selling machinery equipment, electrical equipment and instruments.

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

The net asset of the Target Company as at 31 December 2013 is approximately RMB1.59 million (or approximately HK$1.99 million).

The net loss before and after taxation and extraordinary items of the Target Company for each of the two years ended 31 December 2012 and 2013 are set out below:

	Year ended 31 December	
	2012	**2013**
Net loss before taxation and extraordinary items	RMB3.87 million (or approx. HK$4.84 million)	RMB3.34 million (or approx. HK$4.18 million)
Net loss after taxation and extraordinary items	RMB4.04 million (or approx. HK$5.05 million)	RMB3.34 million (or approx. HK$4.18 million)

REASONS FOR THE SHARE ACQUISITION

Since founded in 2004, the Target Company has cooperated with local television stations of Xinji, Dongguang and Qing County in Hebei Province to develop a cable television network that covers the three counties. It has invested a total of RMB90 million to set up more than 1,000 km optical cables to enable villages of all the three counties under the network's coverage. The Target Company has been implementing the digital transformation scheme for the cable television subscribers in said three counties. Digital transformation could provide a better visual experience for subscribers and the charge is expected to be enhanced. After the transformation, unauthorized cable connection will be completely eradicated and the number of subscribers is expected to be increased. The Target Company has recorded an increasing trend of operating revenue since 2012. The audited operating revenue for the year ended 31 December 2013 was RMB10.35 million, up approximately by 28% compared to RMB8.08 million recorded for the year ended 31 December 2012. In view of the digital transformation scheme with increasing number of subscribers, it is believed the acquisition of the Target Company will provide stable source of cash inflow to the Group. Further, since the consideration of RMB80,000,000 (equivalent to approximately HK$100,000,000) for the Share Acquisition will be applied to off-set the Accounts Receivable of RMB176,695,000 (or approximately HK$220,869,000), the consideration payable by Shenzhen Champion is therefore completely off-set and the Group is not required to utilize its internal resources for the settlement of the consideration.

The Directors consider that the terms of the Share Acquisition (including the considerations) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECT OF THE SHARE ACQUISITION

The Target Company will become an indirect 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 Share Acquisition will increase both the total asset and liabilities of the Group upon Completion.

IMPLICATIONS OF THE SHARE ACQUISITION UNDER THE GEM LISTING RULES

As one or more of the applicable percentage ratios (as defined in the GEM Listing Rules) in relation to the Share Acquisition are exceeds 5% but does not exceed 25%, the Share 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.

EXPERTS AND CONSENTS

The qualifications of the experts who have given their opinion and advice in this announcement in connection with the valuation of the Target Company under the Share Acquisition are as follows:

Name	Qualification
Roma Appraisals Limited	Valuer
Cheng and Cheng Limited	Certified Public Accountants

As at the date of this announcement, neither Roma nor Cheng and Cheng has any shareholding, directly or indirectly, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group. To the best of the Directors' knowledge, information and belief, each of Roma or Cheng and Cheng is an Independent Third Party.

Each of Roma or Cheng and Cheng has given and has not withdrawn its written consent to the publication of this announcement with the inclusion of its opinion and advice and all references to its name in the form and context in which it is included.

DEFINITIONS

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

"Accounts Receivable"	the sum of RMB176,695,000 (or approximately HK$220,869,000) due from Beijing Huashi to Shenzhen Champion, representing the sum that Shenzhen Champion is entitled to share out of the revenue generated from television subscription arrangement in Hebei under the Project Development Cooperation Agreement
"Beijing Huashi"	北京華視星源科技有限公司 (Beijing Huashi Xinyuan Technology Limited*), a company incorporated in the PRC with limited liability
"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 Share Acquisition under the Share Purchase Agreement
"Directors"	director(s) of the Company
"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(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

"Project Development Cooperation Agreement"	the project development cooperation agreement dated 1 November 2011 and made between Shenzhen Champion and Beijing Huashi governing the construction and operation of the television networks, subscription of television channels and sharing of operating revenue between Shenzhen Champion and Beijing Huashi in Xinji, Dongguang and Qing County in Hebei Province
"Share Acquisition"	the acquisition of the entire equity interests in the Target Company by Shenzhen Champion from Beijing Huashi pursuant to the provisions of the Share Purchase Agreement
"Share Purchase Agreement"	the agreement dated 15 July 2014 entered into between Shenzhen Champion and Beijing Huashi in relation to the Share Acquisition
"Shareholders"	holders of Shares
"Shares"	ordinary shares of HK$0.01 each in the share capital of the Company
"Shenzhen Champion"	深圳中澤明芯集團有限公司 (Shenzhen Champion Maxiumic Group Co., Limited*) (formerly known as 深圳中澤明芯科技有限公司 (Shenzhen Champion Maxiumic Technologies Co., Limited*)), an indirect wholly-owned subsidiary of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	北京亞澳博視技術有限公司 (Beijing Yaao Boshi Technology Limited*), a limited liability company incorporated in the PRC on 5 February 2004, with paid-up registered capital of RMB5 million
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"%"	per cent.

** For identification purpose only*

For illustrative purpose only, conversions of RMB into HK$ are based on the approximate exchange rate of RMB1 to HK$1.25. No representation is made that any amount into HK$ 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, 15 July 2014

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.

A. LETTER FROM THE BOARD OF DIRECTORS OF HENG XIN CHINA HOLDINGS LIMITED

15 July 2014

The Stock Exchange of Hong Kong Limited
11th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Dear Sirs,

DISCLOSEABLE TRANSACTIONS

We refer to the valuation of the market value of the entire interest in 北京亞澳博視技術有限公司 (Beijing Yaao Boshi Technology Limited*), a company established in the People's Republic of China, prepared by Roma Appraisals Limited ("**Valuer**") as at 20 May 2014 (the "**Valuation**").

We understand that in accordance with Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"), the discounted cash flow basis adopted by the Valuer has rendered the Valuation a profit forecast (the "**Profit Forecast**") under the GEM Listing Rules.

We hereby confirm that the Profit Forecast has been made after due and careful enquiry.

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

* *For identification purpose only*

B. LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of the letter received by the Directors from the reporting accountants of our Company, Cheng & Cheng Limited, prepared for the purpose of incorporation in this announcement in connection with the profit forecast.

Cheng & Cheng Limited

15 July 2014

The Board of Directors
Heng Xin China Holdings Limited
Unit 2, 24/F.,
Harcourt House,
39 Gloucester Road,
Wanchai, Hong Kong.

Dear Sirs,

Profit forecast in connection with the discloseable transaction of Heng Xin China Holdings Limited (the "Company")

We have been engaged to review the accounting policies adopted and calculations of the underlying profit forecast (the "**Profit Forecast**") to the business valuation dated 15 July 2014 (the "**Valuation**") prepared by Roma Appraisals Limited in respect of the valuation on Beijing Yaao Boshi Technology Limited (the "**Target Company**") and its branch companies as at 20 May 2014 in connection with the proposed acquisition of 100% equity interests in the Target Company.

The Valuation, which is determined based on the discounted cash flows, is regarded as a profit forecast under Rule 19.61 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

Responsibilities

The Company's and Target Company's directors (the "**Directors**") are solely responsible for the preparation of the Profit Forecast, including the assumptions, based on discounted cash flow method. The Profit Forecast has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Profit Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the assumptions.

It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Forecast based on our procedures solely to you, as a body, solely for the purpose of reporting under Rule 19.62 (2) of the GEM Listing Rules.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the Hong Kong Institution of Certified Public Accountants ("**HKICPA**"). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Forecast in accordance with the assumptions made by the directors and as to whether the Profit Forecast is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Forecast has been properly compiled in accordance with the bases and assumptions adopted by the Directors and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Company.

Yours faithfully,

Cheng & Cheng Limited
Certified Public Accountants

Hong Kong