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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)

INSIDE INFORMATION

This announcement is made pursuant to Rule 17.10 of the Rules (“**GEM Listing Rules**”) Governing the Listing of Securities on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of Heng Xin China Holdings Limited (the “**Company**” together with its subsidiaries, the “**Group**”) wishes to inform the shareholders and potential investors of the Company that the auditors of the Company has recently reported to the Company that there is suspected misappropriation of certain funds in 山西中澤恒遠生物科技有限公司 (Shanxi Zhongze Heng Yuan Biological Technology Company Limited*) (“**Shanxi Zhongze**”) including the major part of the funds injected by the Group (“**Suspected Misappropriation**”).

On 26 January 2015, the Group entered into the capital injection agreement with 中祥恒遠投資管理有限公司 (Zhong Xiang Heng Yuan Investment Management Company Limited*) and Hu Guosheng (胡國勝), the shareholders of Shanxi Zhongze in relation to the capital injection (“**Capital Injection**”) of approximately HK\$65 million (equivalent to approximately RMB52 million) from the Group to Shanxi Zhongze. Shanxi Zhongze is principally engaged in research and development, manufacturing and selling of castor seeds, manufacturing and selling of castor beans, research and development of technology of biological products, research and development of technology of new technology of castor industry, promotion of technology, application of technology and selling of castor oil. The completion of the Capital Injection occurred on 4 December 2015 and Shanxi Zhongze has become a non-wholly owned subsidiary of the Company and owned as to 51% by the Company since then.

After the change of Board members in August 2016 and October 2016 respectively, the Board would like to have a review on the operation of certain subsidiaries and as such the Board requested the auditors of the Company to conduct review on Shanxi Zhongze. When the auditors of the Company and a Director interviewed the management of Shanxi Zhongze, they were given the understanding that the initial registered capital of RMB30 million before the Capital Injection and the RMB50 million fund injected during the Capital Injection have been transferred to other accounts out of the Group.

To the best of the knowledge and information of the Directors, the Suspected Misappropriation occurred only at the level of Shanxi Zhongze and the operation of the Group remains unaffected by the suspected wrongdoing. To the best knowledge of the Directors, the Suspected Misappropriation was a standalone incident, and insofar as financial impact is concerned, the Company's financial exposure is expected to be not more than approximately RMB52 million. Due to the uncertainty of financial information of Shanxi Zhongze, the Directors considered that it was impracticable and inappropriate to consolidate the results of Shanxi Zhongze in preparation of the Company's third quarterly results announcement and report dated 14 November 2016 (the "**Results Announcement and Report**"). Please refer to the Results Announcement and Report for further information about Shanxi Zhongze.

The Board will engage external professional parties as soon as practicable to conduct an investigation on the Suspected Misappropriation. The Board will also consider setting up a special committee or authorising the audit committee of the Board to look into the Suspected Misappropriation and formulate measures to improve the internal control system of the Company. The Board will update the shareholders and potential investors of the Company in relation to any further developments about the Suspected Misappropriation including any impact to the financial statements of the Company previously announced as and when appropriate and in accordance with the GEM Listing Rules.

Shareholders of the Company and/or potential investors are advised to exercise caution when dealing in the securities of the Company.

By Order of the Board
HENG XIN CHINA HOLDINGS LIMITED
Lim Tong Yong
Chairman

Hong Kong, 14 November 2016

As at the date of this announcement, the Board comprises Tan Sri Dato' Lim Tong Yong (Chairman), Mr. Chen Rongbin (Vice Chairman and Chief Executive Officer), Mr. Qiu Bin, Mr. Gao Yang, Mr. Hu Qixian and Mr. Chen Xi as executive Directors, Mr. Wang Kun as non-executive Director and Mr. Wong Chi Keung, Ms. Chen Yan, Mr. Xu Haiou and Mr. Chau Sen Chung as independent non-executive Directors.

This announcement, 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 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 at www.hkgem.com 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.

* For identification purposes only