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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 IN RELATION TO THE ACQUISITION OF THE REMAINING 7% EFFECTIVE EQUITY INTEREST IN BEIJING JINQIAO GROUP

THE SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 7 December 2010, Star Hub (as the Purchaser) and Wealtheme (as the Vendor) entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agree to acquire and the Vendor conditionally agree to dispose of the Sales Shares, being the entire issued share capital of Wisest Yield, for a consideration of approximately HK\$105.1 million. The consideration shall be satisfied upon Completion by way of issuance of Consideration Shares by the Company to the Vendor.

The principal asset of Wisest Yield, an investment holding company, is its indirect 7% beneficial interest in the Beijing Jinqiao Group. Beijing Jinqiao, a sino-foreign joint enterprise incorporated in the PRC, and its wholly-owned subsidiary, Beijing Zhongguang, will become indirectly wholly-owned subsidiaries of the Company upon Completion.

GENERAL

As the relevant percentage ratio (as defined in the GEM Listing Rules) in respect of the transactions contemplated under the Sale and Purchase Agreement exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

* For identification purposes only

The Board is pleased to announce that on 7 December 2010, after arm's length negotiations, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser conditionally agree to acquire and the Vendor conditionally agree to dispose of the Sales Shares, being the entire issued share capital of Wisest Yield, for a consideration of approximately HK\$105.1 million. The consideration shall be satisfied upon Completion by way of issuance of Consideration Shares by the Company to the Vendor.

Summarised below are the principal terms of the Sale and Purchase Agreement.

THE SALE AND PURCHASE AGREEMENT

Date: 7 December 2010

Parties: (i) Star Hub, as the Purchaser, an indirect wholly-owned subsidiary of the Company
(ii) the Company
(iii) Wealtheme, as the Vendor

The Vendor is wholly-owned by Mr. Li, its principal activities are investment holding.

(iv) Mr. Li, as the Guarantor

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner, Mr. Li, is an Independent Third Party.

As at the date of this announcement, Mr. Li is deemed to be interested in (i) 39,164,000 Shares held by Lomond Group Limited, representing approximately 2.0% of the issued share capital of the Company as at the date of this announcement; and (ii) convertible notes of the Company, in the principal amount of approximately HK\$105.0 million.

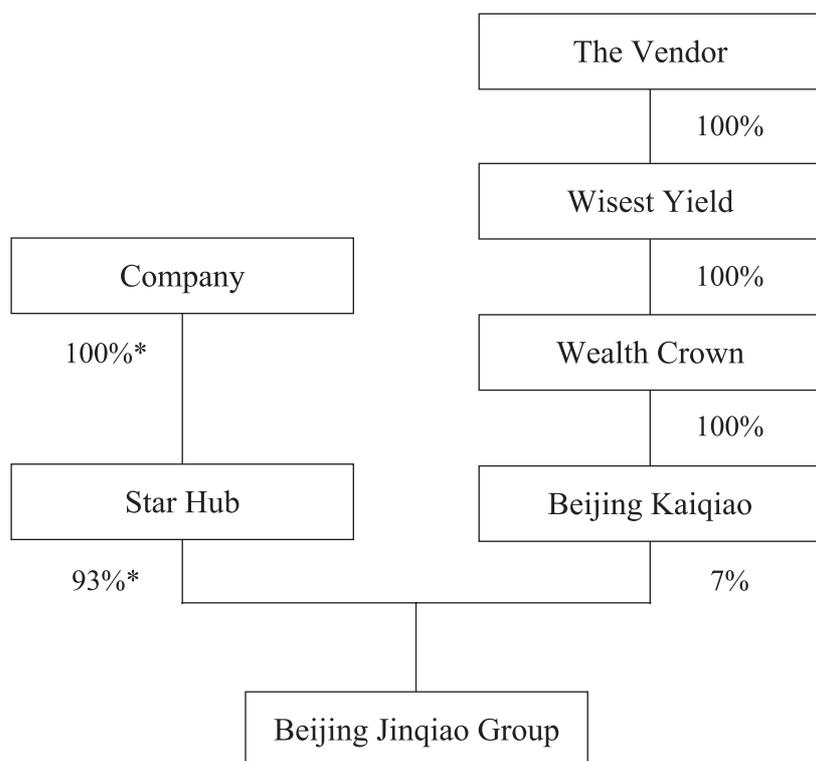
Subject of the Acquisition

The Sales Shares, being the entire issued share capital of Wisest Yield, will be disposed free from all encumbrances and together with all rights attaching thereto including but not limited to the right to receive all dividends and distributions declared, made or paid on or after the date of Completion.

Wisest Yield is a limited liability company incorporated in the British Virgin Islands. Upon Completion, Wisest Yield will become an indirect wholly-owned subsidiary of the Company.

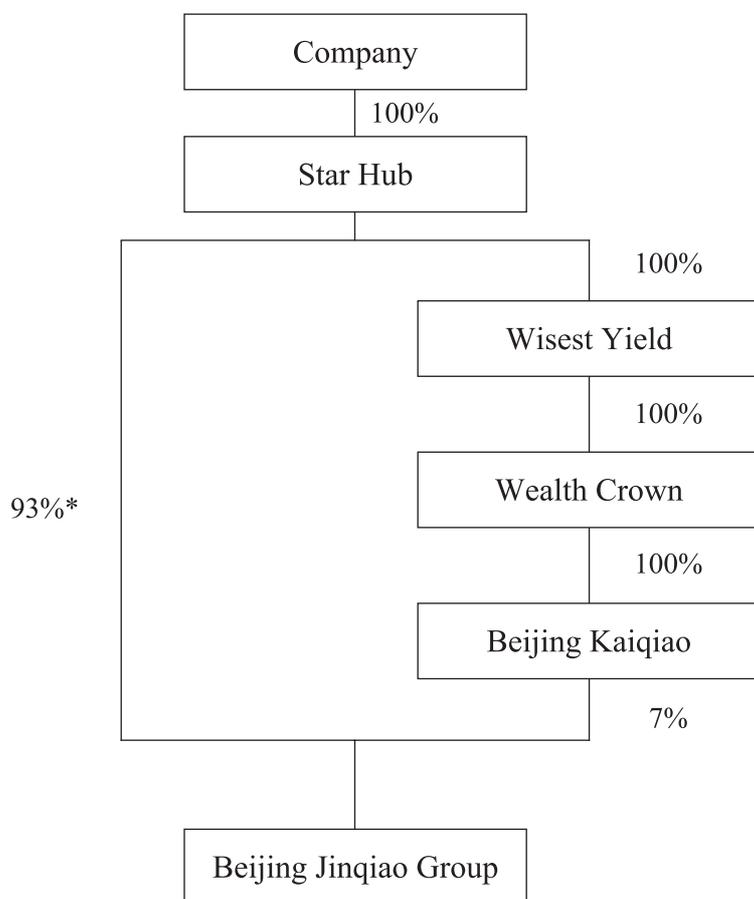
The principal asset of Wisest Yield, an investment holding company, is its 7% indirect beneficial interest in the Beijing Jinqiao Group.

Shareholding structure — as at the date of this announcement



* indirect shareholding

Shareholding structure — upon Completion



* indirect shareholding

Consideration

The consideration of approximately HK\$105.1 million was determined after arm's length negotiations between the Company and the Vendor with reference to, among others, historical earnings of the Beijing Jinqiao Group for the financial year ended 30 June 2010.

Pursuant to the Sale and Purchase Agreement, the consideration will be satisfied by the issuance of Consideration Shares upon Completion.

Conditions precedent of the Sale and Purchase Agreement

Completion is conditional upon fulfillment of the following conditions, including but not limited to:

- (a) the Purchaser having obtained a written legal opinion by a PRC legal adviser appointed by the Purchaser in the form satisfactory to the Purchaser confirming, among others, the respective legal status of Wisest Yield and its subsidiaries (except Wisest Yield and Wealth Crown) including but not limited to the validity of the relevant business license(s) and permit(s), the validity of the 7% equity and beneficial interest in Beijing Jinqiao owned by Wisest Yield and its subsidiaries and the legality of the business of Wisest Yield and its subsidiaries (except Wisest Yield and Wealth Crown) upon Completion;
- (b) completion of legal due diligence by legal advisers appointed by the Purchaser and the results thereof being reasonably satisfactory to the Purchaser;
- (c) the Vendor having provided all the necessary documents with regards to, Beijing Kaiqiao being the registered shareholder of the 7% equity interest of Beijing Jinqiao and the Vendor being the ultimate beneficial owner of the 7% equity interest in Beijing Jinqiao, to the reasonable satisfaction of the Purchaser;
- (d) all approvals from the Stock Exchange under the GEM Listing Rules and / or other applicable authorities having been obtained (if required);
- (e) the Purchaser having obtained both the Certificate of Good Standing and the Certificate of Incumbency in respect of Wisest Yield and the Vendor and such certificates should not be dated earlier than seven Business Days before the Completion;
- (f) the representations, warranties and undertakings in the Sale and Purchase Agreement remaining true and accurate and not misleading at Completion as if repeated at Completion and at all times between the date of the Sale and Purchase Agreement and Completion; and
- (g) all necessary approvals, waivers and consents in relation to the Acquisition being granted by third parties (including governmental or official authorities) remains valid.

Subject to the relevant laws and regulations, the Purchaser has the right to waive the aforesaid conditions precedent by written notice to the Vendor. If any of the above conditions is not fulfilled or waived on or before 15 March 2011 or such other date as shall be mutually agreed by the parties to the Sale and Purchase Agreement, the Sale and Purchase Agreement shall terminate and each party's further rights and obligations will cease immediately.

Consideration Shares

The issue price of the Consideration Shares is HK\$1.345 per Share, which represents:

- (a) a discount of approximately 14.9% to the closing price of the Shares of HK\$1.580 per Share as quoted on the Stock Exchange on the Last Trading Date;
- (b) a discount of approximately 10.2% to the average of the closing price of the Shares of HK\$1.498 per Share for the five consecutive trading days up to and including the Last Trading Date;
- (c) a discount of approximately 5.0% to the average of the closing price of the Shares of HK\$1.416 per Share for the ten consecutive trading days up to and including the Last Trading Date; and
- (d) a premium of approximately 137.2% to the audited net asset value per Share of approximately HK\$0.567 as at 30 June 2010 based on the number of issued Shares as at the Last Trading Date.

The issue price of the Consideration Shares was determined after arm's length negotiations between the Company and the Vendor with reference to the terms of the Sale and Purchase Agreement and the average of the closing price of the Shares of HK\$1.342 per Share for the twenty consecutive trading days up to and including the Last Trading Date.

The Consideration Shares, which will be issued under the General Mandate, will rank pari passu in all aspects with the then existing Shares in the share capital of the Company when allotted and issued.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange.

Effect on the shareholding structure

The table below sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) on the enlarged basis upon issue of all the Consideration Shares.

	As at the date of this announcement		Immediately upon the issue of Consideration Shares	
	<i>no. of Shares</i>	<i>%</i>	<i>no. of Shares</i>	<i>%</i>
Mr. Choi Chung Lam	208,049,996	10.9	208,049,996	10.4
Mr. Li	39,164,000	2.0	117,302,443	5.9
The public	1,669,612,431	87.1	1,669,612,431	83.7
Total	<u>1,916,826,427</u>	<u>100.0</u>	<u>1,994,964,870</u>	<u>100.0</u>

Completion

Completion shall take place within seven Business Days after each of the conditions precedent set out above has been fulfilled or waived or such other date as shall be agreed between the Purchaser and the Vendor. Upon Completion, Beijing Jinqiao will become an indirect wholly-owned subsidiary of the Company.

Guarantee

The Guarantor has guaranteed to the Purchaser the due and punctual performance of the Vendor of its obligations set out in the Sale and Purchase Agreement, subject to the terms and conditions of the Sale and Purchase Agreement.

INFORMATION ON WISEST YIELD AND ITS SUBSIDIARIES

Wisest Yield is a company incorporated in the British Virgin Islands with limited liability. Its principal activities are investment holding. Save for its direct interest in Wealth Crown, its indirect interest in Beijing Kaiqiao and Beijing Jinqiao Group, Wisest Yield does not have any material assets as at the date of this announcement.

Wealth Crown is a company incorporated in the Hong Kong with limited liability and a wholly-owned subsidiary of Wisest Yield. As at the date of this announcement, Wealth Crown holds 100% of the equity interest in Beijing Kaiqiao, has cash at bank of approximately HK\$1 million and liability of approximately HK\$1 million due to an affiliate of the Vendor.

Beijing Kaiqiao is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Wealth Crown. As at the date of this announcement, the sole asset of Beijing Kaiqiao is its 7% equity interest in Beijing Jinqiao Group.

Beijing Jinqiao, a sino-foreign joint enterprise incorporated in the PRC on 13 March 2008 and its wholly-owned subsidiary, Beijing Zhongguang, are both engaged in the wireless digital terrestrial television network equipment integrated business, as well as research, design, manufacturing and trading of information safety products. The Beijing Jinqiao Group is owned as to 93% indirectly by the Company and 7% indirectly by the Vendor as at the date of this announcement. Both Beijing Jinqiao and Beijing Zhongguang will become indirectly wholly-owned subsidiaries of the Company upon Completion.

Set out below is the unaudited consolidated financial information of Beijing Jinqiao Group:

	For the year ended 30 June 2010 HK\$'000	For the period from 24 August 2008 to 30 June 2009 HK\$'000
Net profit before taxation	214,335	104,402
Net profit after taxation	208,540	104,402
		As at 30 June 2010 HK\$'000
Net asset value		416,926

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group is principally engaged in wireless digital terrestrial television network equipment integrated business, digital cable television two-way conversion business, research, design, development on and manufacturing of electronic message security products, integrated circuits, and the integrated circuit solutions and the related services.

As at the date of this announcement, the Group holds 93% equity interest in Beijing Jinqiao Group. Upon Completion, Beijing Jinqiao will become a wholly-owned subsidiary of the Group. The Directors are of the view that the acquisition of the remaining 7% equity interest in Beijing Jinqiao Group will enable the Group to maximize its share of profits to be derived from the business of Beijing Jinqiao Group in the future. The net profit after taxation for Beijing Jinqiao Group was approximately HK\$104.4 million for the period commencing from 24 August 2008 to 30 June 2009, and approximately HK\$208.5 million for the year ended 30 June 2010.

The Acquisition will enlarge the equity base of the Company and have no immediate adverse effects on the working capital of the Group given the consideration will be satisfied by Consideration Shares to be issued upon Completion.

Furthermore, the consideration represents a historical price-to-earnings ratio of approximately 8.0 times of Beijing Jinqiao Group's net profit after tax for the financial year ended 30 June 2010 with a further 10% discount given its minority stake nature. The Directors also noted that the Shares are traded at a price-to-earnings ratio of approximately 13.2 times as at the Last Trading Date, being the closing price of the Shares as at the Last Trading Date over the basic earnings per Share of approximately HK11.96 cents as set out in the annual report of the Company for the year ended 30 June 2010, which is notably higher than the aforesaid price-to-earnings ratio of 8.0 times under the Acquisition.

Having considered the aforesaid, the Directors are of the view that the terms of the Sale and Purchase Agreement and the transactions contemplated therein are fair and reasonable and the Acquisition is in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant percentage ratio (as defined in the GEM Listing Rules) in respect of the transactions contemplated under the Sale and Purchase Agreement exceed 5% but are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 19 of the GEM Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares, being the entire issued share capital of Wisest Yield pursuant to the Sale and Purchase Agreement
“associate(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Beijing Jinqiao”	北京金橋恒泰科技有限公司 (Beijing Jinqiao Hengtai Technology Company Limited*), indirectly owned as at 93% by the Company and 7% by Wisest Yield as at the date of this announcement

“Beijing Jinqiao Group”	Beijing Jinqiao and its subsidiary
“Beijing Kaiqiao”	北京凱僑立盛科技有限公司 (Beijing Kaiqiao Lisheng Technology Company Limited*), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Wealth Crown
“Beijing Zhongguang”	北京中廣視通科技有限公司 (Beijing Zhongguang Shitong Technology Company Limited*), a wholly-owned subsidiary of Beijing Jinqiao as at the date of this announcement
“Board”	the board of Directors
“Business Day(s)”	any day (excluding Saturdays and Sundays) on which banks generally are open for business in Hong Kong throughout their normal business hours
“Company”	Heng Xin China Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM
“Completion”	completion of the Acquisition
“Consideration Shares”	78,138,443 new Shares to be issued and allotted by the Company to the Vendor or as it may direct as payment for consideration, representing approximately 4.1% of the existing issued share capital of the Company as at the date of this announcement and approximately 3.9% of the enlarged issued share capital of the Company upon Completion
“Director(s)”	the director(s) of the Company
“GEM”	the Growth Enterprise Market operated by the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate granted to the Directors in respect of issue of securities of the Company pursuant to the relevant resolution of the Shareholders passed at the annual general meeting of the Company held on 9 November 2010
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Li, being the guarantor to the Vendor of the Vendor’s obligations under the Sale and Purchase Agreement
“Hong Kong”	the Hong Kong Special Administrative Region of PRC
“Independent Third Party(ies)”	the independent third party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, independent of the Company and connected persons (as defined under the GEM Listing Rules) of the Company

“Last Trading Day”	6 December 2010, being the last trading date prior to the date of the Sale and Purchase Agreement
“Mr. Li”	Mr. Li, Haoping (李浩平先生)
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser” or “Star Hub”	Star Hub Investments Limited, a company incorporated in British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 7 December 2010 entered into between the Purchaser and Vendor in respect of the Acquisition
“Sale Shares”	One share of US\$1.00 in the issued share capital of Wisest Yield, representing the entire issued share capital of Wisest Yield
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor” or “Wealthme”	Wealthme Limited, a company incorporated in the British Virgin Islands with limited liability which is wholly-owned by Mr. Li
“Wealth Crown”	Wealth Corwn Investments Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Wisest Yield
“Wisest Yield”	Wisest Yield Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent.

By Order of the Board
Heng Xin China Holdings Limited
Xiao Yan
Chief Executive Officer

Hong Kong, 7 December 2010

As at the date of this announcement, the Board comprises Mr. Xiao Yan (CEO), Mr. Li Tao and Mr. Feng Yongming 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 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 “Latest Company Announcements” page of the GEM website at www.hkgem.com for a minimum period of seven (7) days from the date of its publication and on the website of the Company at www.hengxinchina.com.hk

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