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Anxin-China Holdings Limited

中國安芯控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1149)

DISCLOSEABLE TRANSACTION

SUMMARY

The Board is pleased to announce that on 14 November 2011, the Company as purchaser, the Vendor and the Guarantor entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares, which represent the entire issued share capital of the Target Company together with the Shareholder's Loan, at an aggregate consideration of HK\$315 million (subject to adjustment as detailed in the sub-paragraph headed "Profit guarantee and adjustment for the consideration of the Acquisition" below), of which HK\$126 million shall be satisfied by cash and the balance of HK\$189 million by way of promissory note issued by the Company upon Completion.

After Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

The Vendor is currently the sole shareholder of the Target Company, which is an investment holding company. Before Completion, the Target Company will have, through Island Wide (being its wholly-owned subsidiary), completed its acquisition of 100% equity interest in the PRC Company.

Completion is subject to the fulfillment or waiver of certain conditions precedent as set out in the section headed “Conditions Precedent” below.

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition under the Acquisition Agreement would exceed 5% but are less than 25%, the Acquisition therefore constitutes a discloseable transaction for the Company under the Listing Rules.

The Board is pleased to announce that on 14 November 2011, the Company, the Vendor and the Guarantor entered into the Acquisition Agreement, pursuant to which the Company has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares together with the Shareholder’s Loan.

THE ACQUISITION

Details of the Acquisition Agreement are set out as follows:

Date: 14 November 2011

Parties:

Vendor: Yu Sheng Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is an investment holding company.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are Independent Third Parties.

Purchaser: the Company

Guarantor: Mr. Wong King (王琮), the sole shareholder and director of the Vendor

Subject matter of the Acquisition Agreement

Pursuant to the Acquisition Agreement, the Company as purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Shares, representing the entire issued share capital of the Target Company, together with the Shareholder's Loan free from encumbrance and together with all rights now or hereinafter attached thereto including but not limited to all dividends and distribution declared, paid or made in respect thereof on or after the Completion Date.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group.

The consideration for the Acquisition

The aggregate consideration for the Acquisition shall be HK\$315 million (subject to adjustment as detailed in the sub-paragraph headed "Profit guarantee and adjustment for the consideration of the Acquisition" below), which shall be paid in the following manner upon Completion:

- (i) HK\$126 million shall be satisfied by cash; and
- (ii) HK\$189 million shall be satisfied by promissory note.

The consideration for the Acquisition has been determined after arm's length negotiation between the Company and the Vendor with reference to, among other things, (i) the price-to-earnings ratio of 3.5 times, which is within the range of the price-to-earnings ratio of companies in the PRC whose principal activity is the production of CCTV products and system for security and surveillance purposes, which is similar to that of the PRC Company; (ii) the 2012 Profit Guarantee (as defined below); and (iii) the prospect of the security and protection industry in which the PRC Company carries on its business as mentioned in the paragraph headed "Reasons for the Acquisition" below.

The Directors consider the consideration for the Acquisition is fair and reasonable and on normal commercial terms and that the entering into the Acquisition Agreement is in the interests of the Company and the Shareholders as a whole.

Profit guarantee and adjustments for the consideration of the Acquisition

Pursuant to the Acquisition Agreement, the Vendor and the Guarantor jointly and severally guarantee that the audited net profit after taxation but before extraordinary items of the PRC Company, prepared in accordance with the Hong Kong GAAP, for the year ending 31 December 2012 (the “**2012 Actual Profit**”) shall not be less than HK\$90 million (the “**2012 Profit Guarantee**”).

In the event that PRC Company fails to meet the 2012 Profit Guarantee, the Vendor shall indemnify the Company the amount of the 2012 Compensated Amount (as defined below), in accordance with the formula below:

*Amount to be compensated (the “**2012 Compensated Amount**”) = (2012 Profit Guarantee – 2012 Actual Profit) x Price-to-earnings ratio of 3.5 times*

Solely for the purpose of calculation above, the 2012 Actual Profit should be treated as zero if the PRC Company suffers net loss for the year ending 31 December 2012.

Pursuant to the Acquisition Agreement, the Vendor agreed to deposit the Promissory Note to an escrow agent, who shall be the Company’s legal representatives or any other party agreed by the Company and the Vendor, to secure the due performance of the obligations of the Vendor and the Guarantor under the 2012 Profit Guarantee owing to the Company.

For the avoidance of doubt, the Promissory Note (or the balance thereof after deduction of the 2012 Compensated Amount, if any) should be released to the Vendor any if the 2012 Profit Guarantee has been achieved.

Conditions precedent to the Acquisition Agreement

The completion of the Acquisition is conditional upon fulfillment of the following conditions:

- (i) all necessary consents and approvals (including those from the relevant government, regulatory bodies, authorities or third parties (including banks)) in relation to the transactions contemplated under the Acquisition Agreement having been obtained by the Vendor and such consents and approvals should be valid up to the Completion Date;
- (ii) the Vendor has already provided the Certificate of Incumbency and the Certificate of Good Standing of the Target Company to the Company and such certificates should not be dated earlier than 7 days before the Completion Date;
- (iii) the Company being satisfied with and accepting the result of the due diligence review in relation to the Target Group;
- (iv) the Target Group having completed the acquisition of the entire registered capital of the PRC Company whereby the nature of which will be changed from a PRC domestic company to a WFOE and; the registered capital of the PRC Company having increased from RMB1 million to RMB10 million and the PRC Company shall be free of bank loans and debts;
- (v) The Vendor having procured (i) the registered owner of certain trademarks and devices including “**HAWELL**” to grant an irrevocable and exclusive licence to the PRC Company to use the said trademarks and devices in Hong Kong and the PRC for a term of 20 years with nil consideration; and (ii) the registered owner of the Licensed Patents to grant an irrevocable and exclusive licence to the PRC Company to use the Licensed Patents in the PRC for a term of 20 years with nil consideration;
- (vi) the Company having obtained and being satisfied with the legal opinion issued by a PRC legal adviser specialized in the PRC securities and corporate laws confirming, inter alia, the completion of matters mentioned in paragraph (iv) and (v) above;
- (vii) all warranties given by the Vendor shall remain true and accurate in all respect and not misleading; and

(viii) there has been no material breach by the Vendor of the terms and conditions of the Acquisition Agreement on or before the Completion Date.

If the above conditions have not been fulfilled or waived (other than conditions (i), (iv) and (v) which may not be waived) by the Company on or before 31 January 2012 (or such later date as the parties to the Acquisition Agreement may agree in writing), the Acquisition Agreement shall lapse and thereafter neither party to the Acquisition Agreement shall have any rights or obligations towards each other except in respect of any antecedent breach.

Completion

Completion shall take place on the 5th Business Day after the fulfillment or waiver of the conditions precedent of the Acquisition Agreement (or such other date as may be agreed between the parties to the Acquisition Agreement).

Guarantee

The Guarantor guarantees the due and punctual performance of the Vendor' entire obligations under the Acquisition Agreement.

PROMISSORY NOTE

The terms of the Promissory Note for settlement of a part of the consideration are determined based on commercial negotiations between the Company and the Vendor and the principal terms of which are summarized below:

Issuer : the Company

Principal amount : HK\$189 million

Interest rate : Nil

Maturity date : A fixed term of 2 years from the date of issue of the Promissory Note

Assignment : the Promissory Note cannot be transferred nor assigned to any third party

INFORMATION ON THE TARGET GROUP

The Target Company

The Target Company was incorporated in the British Virgin Islands with limited liability and is an investment holding company. Since the date of its incorporation, the Target Company has not recorded any revenue and/or profit. As at the date of this announcement, the Guarantor is the sole shareholder and director of the Vendor.

Island Wide

Island Wide was incorporated in Hong Kong with limited liability and is wholly owned by the Target Company. Island Wide will acquire the entire registered capital of the PRC Company before Completion. Since the date of its incorporation, Island Wide has not recorded any revenue or profit. The Guarantor is the sole director of Island Wide.

The PRC Company

The PRC Company is a company established on 19 May 2005 in the PRC with limited liability and is principally engaged in the design, development, production and distribution of security and protection products and CCTV products including DVR cards, DVR, CCD camera and relevant accessories for CCTV system. To the best knowledge and belief of the Directors, the products of the PRC Company are popular and have a wide reception in the security and protection industry in the PRC. The PRC Company is the registered owner of certain trademarks and devices registered under Class 9 (electrical and scientific apparatus) in the PRC such as “**Hooan 豪安**”, “**HAVEN 華威**” and “**豪威**”. The PRC Company is also the registered copyright owner of two software relating to DVR surveillance systems (Registration Number 2010SR008722 and Registration Number 2010SR008721). Further, the Vendor has undertaken to the Company in the Acquisition Agreement that it would, before Completion, have procured (i) the registered owner of the Licensed Patents to grant an irrevocable and exclusive licence to the PRC Company to use all the Licensed Patents in the PRC for a term of 20 years with nil consideration; and (ii) the registered owner of certain trademarks and devices including “**HAWELL**” to grant an irrevocable and exclusive licence to the PRC Company to use the said trademarks and devices in Hong Kong and the PRC for a term of 20 years with nil consideration. As at the date of this announcement, the PRC Company is owned by Independent Third Parties.

It is a condition precedent to the Acquisition Agreement that the Target Group shall have completed the acquisition of the entire registered capital of the PRC Company whereby the nature of which will be changed from a domestic company to a WFOE and the registered capital of the PRC Company having increased from RMB1 million to RMB10 million. Hence, before completion, the PRC Company will be owned entirely by Island Wide.

After Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial information of the Target Group will be consolidated into the accounts of the Group upon Completion.

According to the management accounts of the PRC Company provided by the Vendor, the unaudited profits (before and after tax) of the PRC Company for the year ended 31 December 2009 was approximately HK\$6.23 million and HK\$6.22 million respectively and the unaudited net profit (before and after tax) of the PRC Company for the year ended 31 December 2010 was approximately HK\$11.69 million and HK\$11.68 million respectively and the total assets of which for the two years ended 31 December 2009 and 2010 was HK\$9.83 million and HK\$12.07 million respectively.

REASONS FOR THE ACQUISITION

After completion of acquisition of 深圳市安芯數字發展有限公司 (Shenzhen Anxin Digital Development Co., Ltd.) in 2009, the Group has become an integrated solution provider of Intelligent Surveillance, Disaster Alert & Rescue Coordination (“**ISD**”) system in the PRC and has focused on the research and development of ISD software, system installation and operation services with a view to becoming a leading company in the security and protection industry in the PRC. The ISD system provides platforms for its users to control and monitor the safety conditions of their sites in real time for surveillance purposes.

As mentioned in the Company’s annual report for the year 2010, the Group’s businesses comprise of (i) production of ISD system and application software; (ii) customized ISD solutions according to the needs of its customers; and (iii) ongoing agency and maintenance service for ISD solutions.

It is stated in the Group’s 2011 Interim Report that the Group has set up two additional monitoring centers in Fujian and Yunnan Provinces during the six months ended 30 June 2011 and thus the Group had now set up the ISD monitoring centers at 22 coal mines and 7 multi-industry ISD monitoring centers. The Group also has installed a total number of 9,835 surveillance points in different regions in the PRC, which include surveillance points for coal mines and multi-industry ISD system. The Directors consider that the PRC Company’s exclusive licences to use the Licensed Patents in its CCTV products for security and

surveillance purposes would further enhance effectiveness of the Group's ISD system in those surveillance points in coal mines and scene with difficult environment and thus, would help expanding its business in the security and protection industry in PRC.

In view of the above, the Directors consider that the Acquisition can secure supplies of CCTV system for the Group's ISD system and would have a synergy effect on the Group's business. On the other hand, taking into account the 2012 Profit Guarantee provided by the Vendor, the Directors consider that the Acquisition provides an excellent opportunity to the Group for broadening its revenue base.

Taking into account the benefits of the Acquisition, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the Acquisition under the Acquisition Agreement would exceed 5% but are less than 25%, the Acquisition therefore constitutes a discloseable transaction for the Company under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisition”	the acquisition of the Sale Shares and the Shareholder's Loan by the Company from the Vendor pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 14 November 2011 entered into between the Company, the Vendor and the Guarantor in relation to the Acquisition
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday and Sunday) on which banks in Hong Kong are open for business

“Company”	Anxin-China Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange (stock code: 1149)
“Completion”	the completion of the Acquisition Agreement in accordance with the terms thereof
“Completion Date”	the 5th Business Day after the fulfillment or waiver of the conditions precedent of the Acquisition Agreement (or such other date as may be agreed between the parties to the Acquisition Agreement)
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“Guarantor”	Mr. Wong King (王琮), the sole shareholder and director of the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong GAAP”	Hong Kong Generally Accepted Accounting Principles
“Independent Third Party”	a third party independent of and not connected with the Company and its subsidiaries and its connected persons (as defined under the Listing Rules)
“Island Wide”	Island Wide Investments Limited, a company incorporated in Hong Kong with limited liability

“Licensed Patents”	including three registered design patents relating to the external design of, inter alia, waterproof infra-red video camera and DVR surface for security and surveillance use, one invention patent relating to the software for DVR video surveillance use with pass code and electric circuit, one utility model patent concerning by cycling electric circuit for image collection cards in surveillance systems and one external design patent which is still under application
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“PRC”	The People’s Republic of China
“PRC Company”	深圳市豪威未來科技有限公司, a company incorporated in the PRC with limited liability
“Sale Shares”	150 shares of US\$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company as at the date of the Acquisition Agreement
“Shareholder’s Loan”	the loan due from the Target Group to the Vendor or its ultimate shareholder as at Completion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Yu Hong Investments Limited (煜宏投資有限公司), a company incorporated in the British Virgin Islands
“Target Group”	the Target Company, Island Wide and the PRC Company
“Vendor”	Yu Sheng Holdings Limited (裕昇控股有限公司), a company incorporated in the British Virgin Islands

“WFOE”	wholly-foreign owned enterprise
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America
“%” or “per cent”	percentage

By Order of the Board
Anxin-China Holdings Limited
Mr. Zhong Houtai
Chairman

Hong Kong, 14 November 2011

As at the date of this announcement, the Board comprises Mr. Zhong Houtai, Mr. Zhong Houyao, Mr. Lin Supeng, Mr. Liu Zhongkui and Mr. Yang Ma, all being executive Directors and Mr. Pei Renjiu, Mr. Xie Baitang and Mr. Cheung Chuen, all being independent non-executive Directors.

If there is any inconsistency between the Chinese names of PRC entities, departments, facilities or titles mentioned in this announcement and their English translation, the Chinese version shall prevail.

Unless the context requires otherwise, the conversion of RMB into HK\$ is based on the exchange rate of HK\$1.00 = RMB0.82 and the conversion of US\$ into HK\$ is based on the exchange rate of US\$1 = HK\$7.78, respectively. Such conversion should not be construed as a representation that the amount in question has been, could have been or could be converted at any particular rate at all.