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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

THE SUBSCRIPTION

On 7 May 2014, the Company entered into a conditional Subscription Agreement with the Subscriber. Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue a total of 50,000,000 Subscription Shares at a price of HK\$0.25 per Subscription Share.

The issue of the Subscription Shares is not subject to Shareholders' approval as the Subscription Shares will be allotted and issued under the General Mandate. The 50,000,000 Subscription Shares to be allotted and issued to the Subscriber represent (i) approximately 1.47% of the existing issued share capital of the Company of 3,408,590,188 Shares as at the date of this announcement; and (ii) approximately 1.45% of the Company's issued share capital of 3,458,590,188 Shares as enlarged by the issue and allotment of Subscription Shares.

The Subscription Price of HK\$0.25 per Subscription Share was negotiated and agreed at arm's length between the Company and the Subscriber with reference to the recent trading price of the Shares immediately prior to the date of the Subscription Agreement, representing (i) a premium of approximately 113.7% to the closing price of HK\$0.117 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 107.6% to the average closing price of HK\$0.1204 per Share for the last 5 consecutive trading days up to and including the Last Trading Day; and (iii) a premium of approximately 103.4% to the average closing price of HK\$0.1229 per Share for the last 10 consecutive trading days up to and including the Last Trading Day.

* For identification purposes only

The gross proceeds arising from the Subscription will be HK\$12.5 million and the net proceeds arising from the Subscription will amount to approximately HK\$12.5 million which is intended to be used for the general working capital of the Group. The net proceeds raised per Subscription Share arising from the Subscription will be approximately HK\$0.25 per Subscription Share.

GENERAL MANDATE

The Subscription Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM.

Completion of the Subscription is subject to the satisfaction of the conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SUBSCRIPTION

Date: 7 May 2014

Issuer: the Company

Subscriber under
the Subscription Agreement: Mr. Zhao Yong (趙勇)

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, the Subscriber is an Independent Third Party.

It is expected that the Subscriber will not become a substantial Shareholder (as defined under the GEM Listing Rules) of the Company immediately after the Subscription.

The Subscription Shares

The 50,000,000 Subscription Shares to be allotted and issued to the Subscriber represent (i) approximately 1.47% of the existing issued share capital of the Company of 3,408,590,188 Shares as at the date of this announcement; and (ii) approximately 1.45% of the Company's issued share capital of 3,458,590,188 Shares as enlarged by the issue and allotment of Subscription Shares. The Subscription Shares have an aggregate nominal value of HK\$500,000.

Ranking of the Subscription Shares

The Subscription Shares will be allotted and issued free of any Encumbrance, and will rank pari passu with all other issued Shares as at the Completion Date in all respects, including the right to receive all dividends declared or payable or distribution made or proposed to be made at any time by reference to a record date falling on or after the Completion Date.

Refundable Deposit and Subscription Price

Pursuant to the Subscription Agreement, the Subscriber shall pay to the Company a Refundable Deposit in the amount HK\$12.5 million on the date of such Subscription Agreement. The Subscriber who has paid the Refundable Deposit in full is deemed, on the Completion Date, to have paid the Subscription Price in full and fully discharged its payment obligation under the Subscription Agreement. The Refundable Deposit is only refundable by the Company to the Subscriber in full if:

- (i) any condition precedent under the Subscription Agreement is not fulfilled by the Long Stop Date; or
- (ii) there is a material breach of the Subscription Agreement by the Company.

The Subscription Price of HK\$0.25 represents:

- (i) a premium of approximately 113.7% to the closing price of HK\$0.117 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 107.6% to the average closing price of HK\$0.1204 per Share for the last 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 103.4% to the average closing price of HK\$0.1229 per Share for the last 10 consecutive trading days up to and including the Last Trading Day.

After deduction of relevant expenses of Subscription, the net Subscription Price per Subscription Share is approximately HK\$0.25.

The Subscription Price was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length basis between the Company and the Subscriber. The Directors consider that the terms of the Subscription are on normal commercial terms and are fair and reasonable.

General Mandate

The issue of the Subscription Shares is not subject to Shareholders' approval. The Subscription Shares will be issued under the General Mandate granted to the Directors by a resolution of the Shareholders passed at the AGM subject to the limit of up to 20% of the issued share capital of the Company as at the date of the AGM (i.e. 641,718,037 Shares, representing 20% of 3,208,590,188 Shares in issue as at the date of the AGM). Of the 641,718,037 Shares that may be issued under the General Mandate, 200,000,000 have been issued and allotted on 17 September 2013. Hence, as at the date of this announcement, the available number of Shares that can be issued under the General Mandate is 441,718,037 and the 50,000,000 Subscription Shares to be allotted and issued will utilize approximately 7.79% of the General Mandate.

Conditions of the Subscription

The conditions precedent under the Subscription Agreement are as follows:

- (i) the GEM Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Subscription Shares; and
- (ii) all relevant approvals and consents from governmental or other competent authority or in accordance with applicable laws have been obtained for the Subscription Agreement.

Application will be made to the GEM Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares to be issued.

In the event that any condition precedent is not fulfilled in full on or before the Long Stop Date:

- (i) the Company shall repay the Refundable Deposit to the Subscriber; and
- (ii) the Subscription Agreement shall terminate and no party shall be liable to the other party save for antecedent breaches.

Termination

Under the Subscription Agreement, an innocent party may after consultation with the defaulting party (to the extent that the same is reasonably practicable) terminate the Subscription Agreement without liability to defaulting party by giving notice in writing to the defaulting party if at any time prior to 3:00 p.m. on the Completion Date, there occurs any material breach of any provision of the Subscription Agreement.

In the event that the innocent party terminates the Subscription Agreement:

- (i) as a result of the default of the Company alone, the Company shall repay the Refundable Deposit to the Subscriber; and
- (ii) all the obligations of the parties under the Subscription Agreement shall cease and determine and no party shall be liable to the other party save for antecedent breaches.

Completion

Completion under the Subscription Agreement shall take place on the Completion Date. Upon completion of the Subscription, the Subscriber will be the beneficial owner of 50,000,000 Subscription Shares, representing approximately 1.45% of the issued share capital of the Company as enlarged by the issue and allotment of all Subscription Shares.

Completion of the Subscription is subject to the satisfaction of the conditions precedent under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The gross proceeds arising from the Subscription will be HK\$12.5 million and the net proceeds arising from the Subscription will amount to approximately HK\$12.5 million which is intended to be used for the general working capital of the Group. The net proceeds raised per Subscription Share arising from the Subscription will be approximately HK\$0.25 per Subscription Share.

The Board is of the view that the Subscription will strengthen the financial position (in particular the working capital and cash flow position) of the Group. Having considered that the Company is exploring for business opportunities to diversify risk and broaden the sources of income of the Group, the Board is of the view that the Subscription would improve the cash reserve for the on-going development of the Group.

Based on the above, the Directors consider that the Subscription is in the interests of the Company and the Shareholders as a whole.

EFFECTS ON SHAREHOLDING STRUCTURE

The existing and enlarged shareholding structure of the Company immediately before and after the completion of the Subscription is set out below:

	As at the date of this announcement		Immediately after completion of the Subscription after all Subscription Shares are fully allotted and issued (Note 3)	
	No. of Shares	Approx. percentage	No. of Shares	Approx. percentage
Team Effort Investments Limited (Note 1)	623,542,451	18.29%	623,542,451	18.03%
Directors (Note 2)	4,681,334	0.14%	4,681,334	0.14%
Subscriber	—	—	50,000,000	1.45%
Other public shareholders	<u>2,780,366,403</u>	<u>81.57%</u>	<u>2,780,366,403</u>	<u>80.38%</u>
	<u><u>3,408,590,188</u></u>	<u><u>100%</u></u>	<u><u>3,458,590,188</u></u>	<u><u>100%</u></u>

Note:

1. Mr. Choi Chung Lam (“Mr. Choi”) is the legal and beneficial owner of the entire issued share capital of Team Effort Investments Limited. Hence, Mr. Choi is deemed to be interested in 623,542,451 Shares through the shareholding interest of Team Effort Investments Limited in the Company.
2. Mr. Xiao Yan and Mr. Qiu Bin, executive Directors of the Company, are interested in 2,273,334 Shares and 2,408,000 Shares respectively.
3. This does not include any Shares which may be issued pursuant to the exercise of options or warrants of the Company in place as at the date of the Subscription Agreement.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the Company has not raised any funds on any issue of equity securities in the 12 months immediately preceding the date of this announcement.

Date of announcement	Fund-raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
10 September 2013	Placing of 200,000,000 Shares at HK\$0.25 each	HK\$50 million	Providing capital for the Company's possible acquisition and general working capital purposes	Around HK\$20 million used for the general working capital and around HK\$30 million held at the bank

GENERAL

The Group is principally engaged in 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.

TERMS USED IN THIS ANNOUNCEMENT

In this announcement, unless the context otherwise required, the following terms and expressions shall have the following meaning:

“AGM”	the annual general meeting of the Company held on 21 June 2013
“Board”	board of Directors
“Business Day(s)”	any day (excluding Saturday, Sunday and public holidays in Hong Kong) on which licensed banks generally are open for business in Hong Kong
“Company”	Heng Xin China Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Completion Date”	the date on which 50,000,000 Subscription Shares will be allotted and issued to the Subscriber by the Company, which shall be the date falling two Business Days after the date on which the conditions of the Subscription Agreement are fulfilled, but in any event no later than the Long Stop Date unless otherwise agreed between the Company and the Subscriber
“Director(s)”	director(s) of the Company
“Encumbrance”	a mortgage, charge, pledge, lien, option, restriction, right of first refusal, right of pre-emption, third-party right or interest, other encumbrance or security interest of any kind, or any other type of preferential arrangement (including, without limitation, a title transfer or retention arrangement) having similar effect

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the GEM Listing Committee of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“General Mandate”	the general mandate to allot, issue and deal with Shares granted to the Directors by a resolution of the Shareholders passed at the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	a party which is a third party independent of the Company and its connected persons (as defined under the GEM Listing Rules)
“Last Trading Day”	7 May 2014, being the last trading day for the Shares before the date of this announcement
“Long Stop Date”	the day falling 12 days after the date of the Subscription Agreement or such other date as may be mutually agreed between the parties
“Refundable Deposit”	the refundable deposit payable by the Subscriber pursuant to the Subscription Agreement, being an amount equivalent to the full Subscription Price payable by such Subscriber for the subscription of the Subscription Shares
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Mr. Zhao Yong (趙勇)
“Subscription”	the subscription by the Subscriber of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 7 May 2014 entered into between the Company and the Subscriber
“Subscription Price”	HK\$0.25 per Subscription Share

“Subscription Share(s)”	new Share(s) to be allotted and issued to the Subscriber pursuant to the Subscription Agreement, comprising a total of 50,000,000 new Shares to be allotted and issued to the Subscriber
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 7 May 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 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 Announcements” page for at least 7 days from the date of posting and on the website of the Company at www.hengxinchina.com.hk.