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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

On 14 May 2015 (after trading hours), the Company entered into three separate Subscription Agreements with three Subscribers respectively. Pursuant to the Subscription Agreements, the Subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue an aggregate of 500,000,000 Subscription Shares at the Subscription Price of HK\$0.17 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 Refreshed General Mandate. The 500,000,000 Subscription Shares (comprising 200,000,000, 200,000,000 and 100,000,000 new Shares to be allotted and issued to the First Subscriber, the Second Subscriber and the Third Subscriber respectively) represent (i) approximately 11.63% of the existing issued share capital of the Company of 4,300,190,188 Shares as at the date of this announcement; and (ii) approximately 10.42% of the issued share capital of the Company of 4,800,190,188 Shares as enlarged by the issue and allotment of all Subscription Shares, assuming there is no change in the issued share capital of the Company before the Completion Date.

The Subscription Price of HK\$0.17 per Subscription Share, which was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the recent trading performance of the Shares, representing (i) a discount of approximately 9.09% to the closing price of HK\$0.187 per Share as quoted on the Stock Exchange on 14 May 2015, being the date of the Subscription Agreements; (ii) a discount of approximately 13% to the average closing price of approximately HK\$0.195 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements; and (iii) a discount of approximately 14.18% to the average closing price of approximately HK\$0.198 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreements.

The aggregate gross proceeds of the Subscription will be HK\$85 million and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$85 million, representing a net issue price of approximately HK\$0.17 per Subscription Share. It is intended that the net proceeds arising from the Subscription will be used by the Company (i) as to approximately HK\$65 million for the capital injection into 山西中澤恒遠生物科技有限公司 (Shanxi Zhongze Heng Yuan Biological Technology Company Limited*)(Details of the transaction are set out in the announcement of the Company dated 26 January 2015); and (ii) as to approximately HK\$20 million as general working capital of the Group.

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

THE SUBSCRIPTION

The First Subscription Agreement

Date : 14 May 2015 (after trading hours)

Parties: (i) The Company as issuer; and
(ii) The First Subscriber as subscriber

The First Subscriber is a private investor. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the First Subscriber is an Independent Third Party. Before entering into the First Subscription Agreement, neither the First Subscriber nor his associates has any interests in the Shares or any business dealings with the Group.

As advised and confirmed by the First Subscriber, the First Subscriber is independent of and not connected with the other Subscribers and their respective associates.

Pursuant to the First Subscription Agreement, the Company agreed to allot and issue and the First Subscriber has conditionally agreed to subscribe in cash of HK\$34,000,000 for a total of 200,000,000 Subscription Shares at the Subscription Price. The 200,000,000 Subscription Shares represent (i) approximately 4.65% of the existing issued share capital of the Company of 4,300,190,188 Shares as at the date of this announcement; and (ii) approximately 4.17% of the issued share capital of the Company of 4,800,190,188 Shares as enlarged by the issue and allotment of all Subscription Shares, assuming there is no change in the issued share capital of the Company before the Completion Date.

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

The Second Subscription Agreement

Date : 14 May 2015 (after trading hours)

Parties: (i) The Company as issuer; and
(ii) The Second Subscriber as subscriber

The Second Subscriber is a private investor. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, the Second Subscriber is an Independent Third Party. Before entering into the Second Subscription Agreement, neither the Second Subscriber nor her associates has any interests in the Shares or any business dealings with the Group.

As advised and confirmed by the Second Subscriber, the Second Subscriber is independent of and not connected with the other Subscribers and their respective associates.

Pursuant to the Second Subscription Agreement, the Company agreed to allot and issue and the Second Subscriber has conditionally agreed to subscribe in cash of HK\$34,000,000 for a total of 200,000,000 Subscription Shares at the Subscription Price. The 200,000,000 Subscription Shares represent (i) approximately 4.65% of the existing issued share capital of the Company of 4,300,190,188 Shares as at the date of this announcement; and (ii) approximately 4.17% of the issued share capital of the Company of 4,800,190,188 Shares as enlarged by the issue and allotment of all Subscription Shares, assuming there is no change in the issued share capital of the Company before the Completion Date.

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

The Third Subscription Agreement

Date : 14 May 2015 (after trading hours)

Parties: (i) The Company as issuer; and
(ii) The Third Subscriber as subscriber

The Third Subscriber is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings, with its entire issued share capital being wholly and beneficially owned by Mr. Wang Yi (王毅) (“**Mr. Wang**”). Immediately prior to the execution of the Third Subscription Agreement, the Third Subscriber held 45,000,000 Shares, representing approximately 1.05% of the existing issued share capital of the Company as at the date of this announcement.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the date of this announcement, each of the Third Subscriber and Mr. Wang is an Independent Third Party. Save as disclosed, neither the Third Subscriber and Mr. Wang nor their associates has any interests in the Shares or any business dealings with the Group.

As advised and confirmed by the Third Subscriber, each of the Third Subscriber and Mr. Wang is independent of and not connected with the other Subscribers and their respective associates.

Pursuant to the Third Subscription Agreement, the Company agreed to allot and issue and the Third Subscriber has conditionally agreed to subscribe in cash of HK\$17,000,000 for a total of 100,000,000 Subscription Shares at the Subscription Price. The 100,000,000 Subscription Shares represent (i) approximately 2.33% of the existing issued share capital of the Company of 4,300,190,188 Shares as at the date of this announcement; and (ii) approximately 2.08% of the issued share capital of the Company of 4,800,190,188 Shares as enlarged by the issue and allotment of all Subscription Shares, assuming there is no change in the issued share capital of the Company before the Completion Date.

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

Number of Subscription Shares

Pursuant to the Subscription Agreements, an aggregate of 500,000,000 Subscription Shares will be allotted and issued to the Subscribers. The 500,000,000 Subscription Shares represent (i) approximately 11.63% of the existing issued share capital of the Company of 4,300,190,188 Shares as at the date of this announcement; and (ii) approximately 10.42% of the issued share capital of the Company of 4,800,190,188 Shares as enlarged by the issue and allotment of all Subscription Shares, assuming there is no change in the issued share capital of the Company before the Completion Date. The aggregate nominal value of the Subscription Shares is HK\$5,000,000.

COMMON PRINCIPAL TERMS OF THE SUBSCRIPTION AGREEMENTS

Apart from the identities of the Subscribers and the number of Subscription Shares to be subscribed by each of the Subscribers set out above, the terms of each of the Subscription Agreements are identical.

Set out below are the key terms of the Subscription Agreements:

Refundable Deposit and Subscription Price

Pursuant to the Subscription Agreement, the Subscriber shall pay to the Company the Refundable Deposit in the amount equivalent to the full Subscription Price pursuant to the Subscription Agreement. The Subscriber which has paid the Refundable Deposit in full is deemed 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\$0.17 per Subscription Share represents:

- (i) a discount of approximately 9.09% to the closing price of HK\$0.187 per Share as quoted on the Stock Exchange on 14 May 2015, being the date of the Subscription Agreements;
- (ii) a discount of approximately 13% to the average closing price of approximately HK\$0.195 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreements; and
- (iii) a discount of approximately 14.18% to the average closing price of approximately HK\$0.198 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreements.

The net Subscription Price, after deduction of relevant expenses, is estimated to be approximately HK\$0.17 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscribers with reference to the recent trading performance of the Shares. The Directors consider that the terms of the Subscription Agreement are on normal commercial terms and are fair and reasonable.

Conditions of the Subscription

The conditions precedent under the Subscription Agreement are as follows:

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

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, without interest, 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. (Hong Kong time) 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, without interest, 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.

Completion of any Subscriptions is not inter-conditional upon each other.

Ranking of the Subscription Shares

The Subscription Shares will be allotted and issued free of any Encumbrance, and will rank pari passu in all respects among themselves and all other Shares in issue as at the Completion Date, 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.

General Mandate to issue the Subscription Shares

The issue of the Subscription Shares is not subject to Shareholders' approval.

The Subscription Shares will be allotted and issued under the Refreshed General Mandate granted to the Directors by a resolution of the independent Shareholders passed at the SGM subject to the limit of up to 20% of the issued share capital of the Company as at the date of the SGM (i.e. 800,038,037 Shares, representing 20% of 4,000,190,188 Shares in issue as at the date of the SGM). As at the date of this announcement, the Refreshed General Mandate had been utilized as to 300,000,000 for the subscription of new Shares on 25 March 2015. Hence, as at the date of this announcement, the available number of Shares that can be issued under the Refreshed General Mandate is 500,038,037 and the Refreshed General Mandate is sufficient for the issue and allotment of the Subscription Shares. As such, the issue of the Subscription Shares is not subject to further Shareholders' approval. The Company has not repurchased any Shares within the last 30 days prior to the date of this announcement.

Application for listing

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

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

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.

The aggregate gross proceeds of the Subscription will be HK\$85 million and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$85 million, representing a net issue price of approximately HK\$0.17 per Subscription Share. It is intended that the net proceeds arising from the Subscription will be used by the Company (i) as to approximately HK\$65 million for the capital injection into 山西中澤恒遠生物科技有限公司 (Shanxi Zhongze Heng Yuan Biological Technology Company Limited*) (Details of the transaction are set out in the announcement of the Company dated 26 January 2015); and (ii) as to approximately HK\$20 million as general working capital of the Group.

The Board is of the view that the Subscription represent opportunities to raise funding for the Group's business operation and the aforesaid capital injection and it will also strengthen the financial position (in particular the working capital and cash flow position) of the Group for its future business developments and broaden the Shareholder base of the Company. 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 4)	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Team Effort Investments Limited (Note 1)	623,542,451	14.50	623,542,451	12.99
Xiao Yan (Note 2)	2,273,334	0.05	2,273,334	0.05
Qiu Bin (Note 3)	2,408,000	0.06	2,408,000	0.05
First Subscriber	-	-	200,000,000	4.17
Second Subscriber	-	-	200,000,000	4.17
Third Subscriber	45,000,000	1.05	145,000,000	3.02
Other public Shareholders	<u>3,626,966,403</u>	<u>84.34</u>	<u>3,626,966,403</u>	<u>75.55</u>
Total	<u>4,300,190,188</u>	<u>100.00</u>	<u>4,800,190,188</u>	<u>100.00</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 is the chief executive officer of the Company and the executive Director.
3. Mr. Qiu Bin is the executive Director.
4. 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 each of the Subscription Agreements.

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
7 May 2014 and 15 May 2014	Issue of 50,000,000 new Shares at HK\$0.25 each by way of subscription	HK\$12.5 million	General working capital of the Group	Used by the Company as to approximately (i) HK\$5 million for loan repayment; (ii) HK\$2.6 million for operating expenses in China; (iii) HK\$2.5 million for staff cost; (iv) HK\$1.5 million for finance cost; and (v) the remaining balance for other operating expenses

Date of announcement	Fund-raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
18 December 2014, 9 January 2015, 19 January 2015, 28 January 2015	Issue of an aggregate 541,600,000 new Shares at HK\$0.12 each by way of subscription	HK\$65.0 million	(i) as to approximately HK\$53 million for reduction of the Group's level of debt; and (ii) as to approximately HK\$12 million as general working capital of the Group and/or for financing future investment opportunities	Used by the Company (i) as to approximately HK\$53 million for reduction of the Group's level of debt; and (ii) as general working capital of the Group
12 March 2015 and 25 March 2015	Issue of an aggregate 300,000,000 new Shares at HK\$0.12 each by way of subscription	HK\$36 million	(i) as to approximately HK\$20 million for reduction of the Group's level of debt; and (ii) as to approximately HK\$16 million as general working capital of the Group	Used by the Company (i) as to approximately HK\$20 million for reduction of the Group's level of debt; and (ii) as to approximately HK\$16 million as general working capital of the Group

GENERAL

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

DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the GEM Listing Rules
“Board”	board of Directors
“Business Day(s)”	any day (excluding a Saturday) on which banks generally are open for business in Hong Kong during normal working hours
“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 First Subscription Completion Date and/or the Second Subscription Completion Date and/or the Third Subscription Completion Date, as the case may be
“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
“First Subscriber”	Mr. Wang Jinjun (王晉軍), an Independent Third Party
“First Subscription”	the conditional subscription by the First Subscriber of 200,000,000 Subscription Shares pursuant to the First Subscription Agreement

“First Subscription Agreement”	the agreement dated 14 May 2015 and entered into between the Company and the First Subscriber in relation to the First Subscription
“First Subscription Completion Date”	the date on which 200,000,000 Subscription Shares will be allotted and issued to the First Subscriber by the Company, which shall be the date falling two Business Days after the date on which the conditions of the First Subscription Agreement are fulfilled, but in any event no later than the Long Stop Date unless otherwise agreed between the Company and the First Subscriber
“GEM”	the Growth Enterprise Market of the Stock Exchange
“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)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected person(s) (as defined under the GEM Listing Rules)
“Long Stop Date”	the day falling 21 Business Days after the date of the relevant Subscription Agreement or such other date as may be mutually agreed between the parties
“Refreshed General Mandate”	the refreshed general mandate to allot, issue and deal with up to 800,038,037 new Shares (representing 20% of the issued share capital of the Company as at the date of the SGM) granted to the Directors by a resolution of the independent Shareholders passed at the SGM

“Refundable Deposit”	the refundable deposit payable by a Subscriber pursuant to the relevant Subscription Agreement, being an amount equivalent to the full Subscription Price payable by such Subscriber for the subscription of the relevant Subscription Shares
“Second Subscriber”	Ms. Ma Yue Jiao (馬月皎), an Independent Third Party
“Second Subscription”	the conditional subscription by the Second Subscriber of 200,000,000 Subscription Shares pursuant to the Second Subscription Agreement
“Second Subscription Agreement”	the agreement dated 14 May 2015 and entered into between the Company and the Second Subscriber in relation to the Second Subscription
“Second Subscription Completion Date”	the date on which 200,000,000 Subscription Shares will be allotted and issued to the Second Subscriber by the Company, which shall be the date falling two Business Days after the date on which the conditions of the Second Subscription Agreement are fulfilled, but in any event no later than the Long Stop Date unless otherwise agreed between the Company and the Second Subscriber
“SGM”	the special general meeting of the Company held on 25 February 2015
“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
“Subscribers”	collectively, the First Subscriber, the Second Subscriber and the Third Subscriber and a “Subscriber” means any or each of them
“Subscription”	collectively, the First Subscription, the Second Subscription and the Third Subscription

“Subscription Agreements”	collectively, the First Subscription Agreement, the Second Subscription Agreement and the Third Subscription Agreement and a “Subscription Agreement” means any or each of them
“Subscription Price”	HK\$0.17 per Subscription Share
“Subscription Shares”	new Share(s) to be allotted and issued to the Subscribers pursuant to the Subscription Agreements, comprising an aggregate of 500,000,000 new Shares to be allotted and issued to the Subscribers
“Third Subscriber”	Elite Fortune Global Limited, an Independent Third Party
“Third Subscription”	the conditional subscription by the Third Subscriber of 100,000,000 Subscription Shares pursuant to the Third Subscription Agreement
“Third Subscription Agreement”	the agreement dated 14 May 2015 and entered into between the Company and the Third Subscriber in relation to the Third Subscription
“Third Subscription Completion Date”	the date on which 100,000,000 Subscription Shares will be allotted and issued to the Third Subscriber by the Company, which shall be the date falling two Business Days after the date on which the conditions of the Third Subscription Agreement are fulfilled, but in any event no later than the Long Stop Date unless otherwise agreed between the Company and the Third 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, 14 May 2015

As at the date of this announcement, the Board comprises Mr. Xiao Yan (Chief Executive Officer), Mr. Li Tao, Mr. Qiu Bin and Mr. Wang Kun as executive Directors; Mr. Xu Lei as non-executive Director; and Mr. Leung Wo Ping JP, Mr. Dong Shi, Mr. Hu Dingdong and Mr. Lei Yong 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 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*