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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 28 October 2015 (after trading hours), the Company entered into a Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 590,000,000 Subscription Shares at a price of HK\$0.105 per Subscription Share.

The issue of the Subscription Shares is not subject to Shareholders' approval as the Subscription Shares will be allotted and issued pursuant to the General Mandate. The 590,000,000 Subscription Shares represent (i) approximately 12.63% of the existing issued share capital of the Company of 4,670,190,188 Shares as at the date of this announcement; and (ii) approximately 11.22% of the issued share capital of the Company of 5,260,190,188 Shares as enlarged by the allotment and issue of the Subscription Shares, assuming there is no change in the issued share capital of the Company before the Completion Date.

The Subscription Price of HK\$0.105 per Subscription Share, which was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the recent trading performance of the Shares, represents (i) a discount of approximately 16.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 28 October 2015, being the date of the Subscription Agreement; (ii) a discount of approximately 11.76% to the average closing price of HK\$0.119 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and (iii) a discount of approximately 10.79% to the average closing price of HK\$0.1177 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement.

The aggregate gross proceeds of the Subscription will be HK\$61.95 million and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$61.95 million, representing a net issue price of approximately HK\$0.105 per Subscription Share. It is intended that the net proceeds arising from the Subscription will be used by the Company as to (i) approximately HK\$5 million as general working capital of the Company; (ii) and approximately HK\$56.95 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/or to finance any potential investment opportunities of the Group that may arise from time and time.

Completion of the Subscription is subject to the fulfillment 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 : 28 October 2015 (after trading hours)

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

The Subscriber is a company incorporated in the Republic of Seychelles with limited liability and is principally engaged in investment holdings, with its entire issued share capital being wholly and beneficially owned by Mr. Wang Peng (王鵬) ("Mr. Wang"). 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 Subscriber and Mr. Wang is an Independent Third Party. Before entering into of the Subscription Agreement, neither the Subscriber nor Mr. Wang nor their respective associates has any interests in the Shares or any business dealings with the Group.

It is expected that the Subscriber will become a substantial Shareholder (as defined under the GEM Listing Rules) of the Company immediately after the completion of the Subscription.

The Subscription Shares

The 590,000,000 Subscription Shares to be allotted and issued to the Subscriber pursuant to the Subscription Agreement represent (i) approximately 12.63% of the existing issued share capital of the Company of 4,670,190,188 Shares as at the date of this announcement; and (ii) approximately 11.22% of the issued share capital of the Company of 5,260,190,188 Shares as enlarged by the allotment and issue of the 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\$5.9 million.

Subscription Price and Refundable Deposit

The Subscription Price of HK\$0.105 per Subscription Share represents:

- (i) a discount of approximately 16.00% to the closing price of HK\$0.125 per Share as quoted on the Stock Exchange on 28 October 2015, being the date of the Subscription Agreement;
- (ii) a discount of approximately 11.76% to the average closing price of HK\$0.119 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iii) a discount of approximately 10.79% to the average closing price of HK\$0.1177 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber 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.

Pursuant to the Subscription Agreement, the Subscriber shall pay to the Company the Refundable Deposit in the amount of HK\$61.95 million, which is equivalent to the full Subscription Price, on or before the Long Stop Date. The Subscriber which 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, without interest, 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.

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 granting of the listing of and permission to deal in the Subscription Shares by the GEM Listing Committee of the Stock Exchange (and such listing and permission not subsequently revoked prior to the delivery of valid and definitive share certificate(s) representing the Subscription Shares to the Subscriber); 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 required.

In the event that the above conditions are not fulfilled in full on or before the Long Stop Date:

- (i) the Company shall refund 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 pursuant to the Subscription Agreement:

- (i) as a result of the default of the Company alone, the Company shall refund the Refundable Deposit, without interest, to the Subscriber; and
- (ii) all 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 of the Subscription Agreement shall take place on the Completion Date.

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 pursuant to the General Mandate granted to the Directors by an ordinary 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. 860,038,037 Shares, representing 20% of 4,300,190,188 Shares in issue as at the date of the AGM). Of the 860,038,037 Shares that may be issued under the General Mandate, 240,000,000 Shares and 30,000,000 Shares have been issued and allotted on 27 August 2015 and 14 September 2015 respectively. Hence, as at the date of this announcement, the available number of Shares that can be issued under the General Mandate is 590,038,037 and the 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\$61.95 million and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$61.95 million, representing a net issue price of approximately HK\$0.105 per Subscription Share. It is intended that the net proceeds arising from the Subscription will be used by the Company as to (i) approximately HK\$5 million as general working capital of the Company; (ii) and approximately HK\$56.95 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/or to finance any potential investment opportunities of the Group that may arise from time and time.

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 (Note 4) | |
|--|--|------------------|--|------------------|
| | Number of Shares | Approximate % | Number of Shares | Approximate % |
| Team Effort Investments Limited (Note 1) | 623,542,451 | 13.35 | 623,542,451 | 11.85 |
| Xiao Yan (Note 2) | 2,273,334 | 0.05 | 2,273,334 | 0.04 |
| Qiu Bin (Note 3) | 2,408,000 | 0.05 | 2,408,000 | 0.05 |
| Subscriber | - | - | 590,000,000 | 11.22 |
| Public Shareholders | 4,041,966,403 | 86.55 | 4,041,966,403 | 76.84 |
| Total | 4,670,190,188 | 100.00 | 5,260,190,188 | 100.00 |

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 the Subscription Agreement.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

Save as disclosed below, the proposed subscription of a total of 400,000,000 new Shares as announced by the Company dated 14 May 2015 which was terminated on 29 June 2015, and the proposed subscription of a total of 360,000,000 new Shares as announced by the Company dated 18 August 2015 which was terminated on 30 September 2015, the Board confirms that 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 |
|---|---|--|---|--|
| 18 December 2014, 9 January 2015, 19 January 2015 and 28 January 2015 | Issue of an aggregate of 541,600,000 new Shares at HK\$0.12 each by way of subscription of new Shares | 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 to approximately HK\$12 million as general working capital of the Group |
| 12 March 2015 and 25 March 2015 | Issue of an aggregate of 300,000,000 new Shares at HK\$0.12 each by way of subscription of new Shares | 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 as intended |

| Date of announcement | Fund-raising activity | Net proceeds raised (approximately) | Intended use of proceeds | Actual use of proceeds |
|--|---|--|--|---|
| 14 May 2015 and 10 June 2015 | Issue of an aggregate of 100,000,000 new Shares at HK\$0.17 each by way of subscription of new Shares | HK\$17 million | To be used as general working capital of the Group | Used by the Company as to approximately HK\$14 million for the repayment of other payables, and approximately HK\$3 million for general working capital of the Group |
| 18 August 2015, 27 August 2015 and 14 September 2015 | Issue of an aggregate of 270,000,000 new Shares at HK\$0.10 each by way of subscription of new Shares | HK\$27 million | To be used for reduction of the Group's level of debt and general working capital of the Group | Used by the Company as to approximately HK\$20 million for reduction of Group's level of debt, and approximately HK\$7 million for general working capital of the Group |

GENERAL

Completion of the Subscription is subject to the fulfilment 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.

DEFINITIONS

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 15 May 2015

| | |
|---------------------|--|
| “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 date on which 590,000,000 Subscription Shares will be allotted and issued to the Subscriber by the Company, which shall be the date falling two Business Days after the conditions under the Subscription Agreement are fulfilled |
| “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 Rules” | the Rules Governing the Listing of Securities on GEM |
| “General Mandate” | the general mandate to allot, issue and deal with up to 860,038,037 new Shares (representing 20% of the issued share capital of the Company as at the date of the AGM) 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 Party” | party who is, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is a third party independent of the Company and the connected person(s) (as defined under the GEM Listing Rules) of the Company |
| “Long Stop Date” | the day falling 12 calendar days after the date of the Subscription Agreement (or, if not a Business Day, the first Business Day thereafter) |
| “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 the Subscriber for the subscription of the Subscription Shares |
| “Share(s)” | 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” | Ascent Creations Group Limited, an Independent Third Party |
| “Subscription” | the conditional subscription by the Subscriber of 590,000,000 Subscription Shares pursuant to the Subscription Agreement |
| “Subscription Agreement” | the agreement dated 28 October 2015 and entered into between the Company and the Subscriber in relation to the Subscription |
| “Subscription Price” | HK\$0.105 per Subscription Share |
| “Subscription Share(s)” | new Share(s) to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement |

“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, 28 October 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*