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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Heng Xin China Holdings Limited (the “Company”), you should at once hand this circular with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.

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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)

**(1) PROPOSED ISSUE OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
(2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;  
(3) PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES;  
(4) RE-ELECTION OF RETIRING DIRECTORS;  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**大有 融 資 有 限 公 司**  
**MESSIS CAPITAL LIMITED**

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A notice convening a special general meeting of the Company (the “SGM”) to be held at Unit 2, 24/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Thursday, 28 January 2016 at 11:00 a.m. is set out on pages SGM-1 to SGM-6 of this circular.

Whether or not you intend to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the office of the Company’s branch share registrar in Hong Kong, Union Registrars Limited, A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

*This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at [www.hengxinchina.com.hk](http://www.hengxinchina.com.hk).*

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## CHARACTERISTICS OF GEM

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### **Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)**

**GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“AGM”	the annual general meeting of the Company held on 15 May 2015
“associate(s)”	has the meaning as ascribed to it in the GEM Listing Rules
“Board”	the board of Directors
“Bond”	the 11% coupon bond in the principal amount of HK\$70,000,000 issued by the Company to the First CB Subscriber on 2 April 2015 maturing on 1 April 2016, which are constituted by and subject to the terms and conditions set out in the Bond Instrument
“Bond Instrument”	the instrument constituting the Bond (with such amendments thereto as the Company and the First CB Subscriber may agree) which was executed by the Company by way of a deed poll on 12 January 2015
“Business Day(s)”	any day (excluding Saturday) on which banks generally are open for business in Hong Kong during normal working hours
“Bye-Laws”	the bye-laws of the Company as amended from time to time
“CB Specific Mandate”	the mandate to be sought from the Shareholders at the SGM to allot and issue the Conversion Shares upon exercise of the conversion rights under the Convertible Bonds
“CB Subscribers”	collectively, the First CB Subscriber and the Second CB Subscriber and a “ <b>CB Subscriber</b> ” means any or each of them
“CB Subscriptions”	the subscription of the Convertible Bonds pursuant to the terms of the CB Subscription Agreements
“CB Subscription Agreements”	collectively, the First CB Subscription Agreement and the Second CB Subscription Agreement and a “ <b>CB Subscription Agreement</b> ” means any or each of them

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## DEFINITIONS

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“CB Subscription Long Stop Date”	the day falling one month after the date on which the CB Specific Mandate is granted or such other date as may be mutually agreed between the relevant CB Subscribers and the Company
“Company”	Heng Xin China Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on GEM (Stock Code: 8046)
“controlling shareholder”	has the same meaning ascribed to it in the GEM Listing Rules
“Conversion Price”	the conversion price of the Convertible Bonds, which is initially set at HK\$0.115 per Conversion Share (subject to adjustment)
“Conversion Share(s)”	the new Share(s) which may fall to be allotted and issued upon exercise of the conversion rights attaching to the Convertible Bonds
“Convertible Bonds”	collectively, the First Convertible Bonds and the Second Convertible Bonds
“Current Issue Mandate”	the general mandate approved and granted to the Directors at the AGM to allot, issue and deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM
“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 CB Subscriber”	National United Resources Holdings Limited, a company incorporated in Hong Kong with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange, the sole holder of the Bond and a subscriber of the First Convertible Bonds in the principal amount of HK\$100,000,000
“First CB Subscription”	the subscription for the First Convertible Bonds by the First CB Subscriber in the principal amount of HK\$100,000,000 pursuant to the First CB Subscription Agreement

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## DEFINITIONS

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“First CB Subscription Agreement”	the conditional subscription agreement dated 8 December 2015 and entered into between the Company and the First CB Subscriber in relation to the First CB Subscription
“First CB Subscription Completion”	completion of the First CB Subscription Agreement
“First CB Subscription Completion Date”	the date on which the First CB Subscription Completion occurs
“First Convertible Bonds”	the 5% coupon convertible bonds in the principal amount of HK\$100,000,000 to be issued by the Company to the First CB Subscriber pursuant to the First CB Subscription Agreement
“First Share Subscriber”	Mr. Lim Tong Yong, an individual investor, a subscriber for the First Subscription Shares
“First Share Subscription”	the subscription for the First Subscription Shares by the First Share Subscriber pursuant to the First Share Subscription Agreement
“First Share Subscription Agreement”	the conditional subscription agreement dated 8 December 2015 and entered into between the Company and the First Share Subscriber in relation to the First Share Subscription
“First Share Subscription Completion”	completion of the First Share Subscription
“First Subscription Shares”	870,000,000 new Shares to be subscribed by the First Share Subscriber and to be allotted and issued by the Company pursuant to the First Share Subscription Agreement
“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 PRC
“Independent Board Committee”	the independent board committee of the Board comprising all independent non-executive Directors, established for the purpose of advising the Independent Shareholders in relation to the Refreshed General Mandate

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## DEFINITIONS

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“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Refreshed General Mandate
“Independent Shareholders”	any Shareholders other than controlling Shareholders and their associates or, where there are no controlling Shareholders, any Shareholders other than Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates who shall hold Shares as at the date of the SGM
“Independent Third Party(ies)”	party(ies) who is/are, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, third party(ies) independent of the Company and the connected person(s) (as defined under the GEM Listing Rules) of the Company
“Latest Practicable Date”	7 January 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity Date”	the date falling 12 months from the date of issue of the Convertible Bonds
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Redemption Notice”	the early redemption notice to be issued by the Company to the First CB Subscriber exercising the Company’s early redemption right under the Bond to redeem the Bond in full prior to its maturity date on 1 April 2016 pursuant to the Bond Instrument and the First CB Subscription Agreement
“Refreshed General Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the SGM to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution

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## DEFINITIONS

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“Second CB Subscriber”	Sino King Trading (HK) Co., Limited, a company incorporated in Hong Kong with limited liability, a subscriber for the Second Convertible Bonds in the principal amount of HK\$50,000,000
“Second CB Subscription”	the subscription for the Second Convertible Bonds by the Second CB Subscriber in the principal amount of HK\$50,000,000 pursuant to the Second CB Subscription Agreement
“Second CB Subscription Agreement”	the conditional subscription agreement dated 8 December 2015 and entered into between the Company and the Second CB Subscriber in relation to the Second CB Subscription
“Second CB Subscription Completion”	completion of the Second CB Subscription Agreement
“Second CB Subscription Completion Date”	the date on which the Second CB Subscription Completion occurs
“Second Convertible Bonds”	the 5% coupon convertible bonds in the principal amount of HK\$50,000,000 to be issued by the Company to the Second CB Subscriber pursuant to the Second CB Subscription Agreement
“Second Share Subscriber”	Sino Perfect Investments Limited, a company incorporated in Hong Kong with limited liability, a subscriber for the Second Subscription Shares
“Second Share Subscription”	the subscription for the Second Subscription Shares by the Second Share Subscriber pursuant to the Second Share Subscription Agreement
“Second Share Subscription Agreement”	the conditional subscription agreement dated 8 December 2015 and entered into between the Company and the Second Share Subscriber in relation to the Second Share Subscription
“Second Subscription Shares”	870,000,000 new Shares to be subscribed by the Second Share Subscriber and to be allotted and issued by the Company pursuant to the Second Share Subscription Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)



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## DEFINITIONS

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“SGM”	the special general meeting of the Company to be held at Unit 2, 24/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Thursday, 28 January 2016 at 11:00 a.m. for the purpose of considering, and if thought fit, approving the CB Subscription Agreements, the Share Subscription Agreements and the transactions contemplated thereunder, including the grant of the CB Specific Mandate and the Subscription Specific Mandate, the proposed grant of the Refreshed General Mandate and re-election of retiring Directors and the notice of which is set out on pages SGM-1 to SGM-6 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Subscribers”	collectively, the First Share Subscriber and the Second Share Subscriber and a “ <b>Share Subscriber</b> ” means any or each of them
“Share Subscriptions”	collectively, the First Share Subscription and the Second Share Subscription
“Share Subscription Agreements”	collectively, the First Share Subscription Agreement and the Second Share Subscription Agreement and a “ <b>Share Subscription Agreement</b> ” means any or each of them
“Share Subscription Completion Date”	the date on which the Subscription Shares will be allotted and issued to the respective Share Subscribers by the Company, which shall be the date falling within three Business Days after the date on which the conditions precedent under the respective Share Subscription Agreements are fulfilled (or waived, as the case may be), or such other date as may otherwise be agreed by the respective Share Subscribers and the Company in writing
“Share Subscription Long Stop Date”	the day falling one month after the date on which the Subscription Specific Mandate is granted or such other date as may be mutually agreed between the Company and the relevant Share Subscribers
“Share Subscription Refundable Deposit”	the refundable deposit amounting to HK\$10,000,000 payable by each of the Share Subscribers pursuant to the respective Share Subscription Agreements
“Shareholder(s)”	holder(s) of the Share(s)

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## DEFINITIONS

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	HK\$0.115 per Subscription Share
“Subscription Share(s)”	collectively, the First Subscription Shares and the Second Subscription Shares
“Subscription Specific Mandate”	the mandate to allot and issue the Subscription Shares to be sought from the Shareholders at the SGM to authorise the Directors to issue the Subscription Shares
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“%”	per cent.

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## LETTER FROM THE BOARD

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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)

*Executive Directors:*

Mr. Xiao Yan (*Chief Executive Officer*)  
Mr. Li Tao  
Mr. Qiu Bin  
Mr. Li Nan  
Mr. Gao Yang  
Mr. Yu Bun

*Non-executive Director:*

Mr. Wang Kun

*Independent non-executive Directors:*

Mr. Leung Wo Ping *JP*  
Mr. Hu Dingdong  
Mr. Lei Yong  
Mr. Chiu Chi Kong

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*

Unit 2, 24/F., Harcourt House  
39 Gloucester Road  
Wanchai  
Hong Kong

12 January 2016

*To the Shareholders*

Dear Sir or Madam,

**(1) PROPOSED ISSUE OF CONVERTIBLE BONDS  
UNDER SPECIFIC MANDATE;  
(2) PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE;  
(3) PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES;  
(4) RE-ELECTION OF RETIRING DIRECTORS;  
AND  
NOTICE OF SPECIAL GENERAL MEETING**

### INTRODUCTION

The purpose of this circular is to provide you with, among others, (i) further details of the issue of the Convertible Bonds, the allotment and issue of the Conversion Shares upon conversion pursuant to the terms and conditions of the Convertible Bonds; (ii) further details of the Share Subscriptions; (iii) the

*\* for identification purpose only*

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## LETTER FROM THE BOARD

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proposed granting of the Refreshed General Mandate to allot, issue and deal with additional Shares not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue at the date of the SGM; (iv) the recommendation of the Independent Board Committee to the Independent Shareholders regarding the Refreshed General Mandate; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders regarding the Refreshed General Mandate; (vi) the re-election of retiring Directors; and (vii) notice of the SGM.

### **I. PROPOSED ISSUE OF CONVERTIBLE BONDS**

Reference is made to the announcement of the Company dated 8 December 2015 regarding, among other matters, the CB Subscriptions.

After trading hours on 8 December 2015, the Company and each of the CB Subscribers entered into the CB Subscription Agreements respectively in respect of the issue of and subscription for the Convertible Bonds in the aggregate principal amount of HK\$150,000,000.

#### **First CB Subscription Agreement**

Date: 8 December 2015 (after trading hours)

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

#### **Information about the First CB Subscriber**

The First CB Subscriber is a company incorporated in Hong Kong with limited liability. Based on the public information available to the Company, the First CB Subscriber is an investment holding company and its shares are listed on the Main Board of the Stock Exchange. The First CB Subscriber, through its subsidiaries, is principally engaged in coking coal trading business, media and advertising business and provision of online platform for trading and deferred spot delivery services of precious metals mainly being silver and copper, and other associated services including transaction settlement management, commodity delivery management and related consulting services to customers nationwide in the PRC. As at the Latest Practicable Date, the First CB Subscriber is the sole holder of the Bond and does not have any interest in the Shares. Based on the available information to the Company, Mr. Lo Ka Wai, the chief financial officer of the Company, is an executive director of the First CB Subscriber. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, each of the First CB Subscriber and its substantial shareholder (as defined under the Listing Rules) namely Yang Fan, holding approximately 13.80% of its issued shares, is an Independent Third Party and is independent of and not connected with each of the Second CB Subscriber and the Share Subscribers.

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## LETTER FROM THE BOARD

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### *Subject matter*

Pursuant to the First CB Subscription Agreement, the First CB Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in an aggregate principal amount of HK\$100,000,000. The Company will on the First CB Subscription Completion Date, exercise the early redemption right under the Bond in full. The subscription price of the Convertible Bonds to be subscribed by the First CB Subscriber which is equal to the principal amount of the Convertible Bonds of HK\$100,000,000 will be partly settled by offsetting the principal amount of the Bond of HK\$70,000,000 to be repaid by the Company under the Redemption Notice and the remaining balance will be settled by the First CB Subscriber in cash.

Upon all the conversion rights attaching to the Convertible Bonds in the principal amount of HK\$100,000,000 are exercised by the First CB Subscriber in full at the initial Conversion Price, the First CB Subscriber will be interested in 869,565,217 Shares, representing (i) approximately 16.53% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 14.19% of the issued share capital of the Company as enlarged by the allotment and issue of such number of Conversion Shares.

### *Conditions precedent to the First CB Subscription Agreement*

The completion of the First CB Subscription Agreement is conditional upon:

- (a) the passing of the resolution(s) by the Shareholders (who are entitled to vote and not required to be abstained from voting) at the SGM approving the First CB Subscription Agreement and the transactions contemplated thereunder including but not limited to the issue of the First Convertible Bonds and the allotment and issue of the Conversion Shares;
- (b) the GEM Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares which may fall to be allotted and issued upon the exercise of the conversion rights attached to the First Convertible Bonds;
- (c) the First CB Subscriber having entered into an amendment deed with the Company to amend the Bond Instrument to permit early redemption of the Bond by the Company without prior written notice;
- (d) all necessary consents and approvals to be obtained on the part of each of the Company and the First CB Subscriber in respect of the First CB Subscription Agreement and the transactions contemplated hereunder having been obtained;
- (e) the compliance with the applicable requirements under the GEM Listing Rules by the Company; and
- (f) the compliance with the applicable requirements under the Listing Rules by the First CB Subscriber.

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## LETTER FROM THE BOARD

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The above conditions precedent are not capable of being waived by either the Company or the First CB Subscriber. If any of the conditions precedent to the First CB Subscription Agreement set out above is not fulfilled at or before 4:00 p.m. on the CB Subscription Long Stop Date (or such other time and date as may be agreed in writing by the parties to the First CB Subscription Agreement), the First CB Subscription Agreement and all rights and obligations thereunder will cease and terminate, save for any antecedent breaches of the First CB Subscription Agreement.

### *Termination of the First CB Subscription Agreement*

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

In the event that the innocent party terminates the First CB Subscription Agreement, (i) the Redemption Notice will cease to have effect and will be taken not to have been given; and (ii) all the obligations of the parties under the First CB Subscription Agreement shall cease and determine and no party shall be liable to the other party save for antecedent breaches.

### *First CB Subscription Completion and Early Redemption of the Bond*

Completion of the First CB Subscription Agreement shall take place on the First CB Subscription Completion Date, which shall be the date falling within three Business Days after the date on which the conditions precedent to the First CB Subscription Agreement are fulfilled or such other date as the Company and the First CB Subscriber may agree.

Completion of any CB Subscriptions is not inter-conditional upon each other. The CB Subscription Agreement and the Share Subscription Agreement are not inter-conditional.

The Company will on the First CB Subscription Completion Date, exercise the early redemption right under the Bond in full. The subscription price of the Convertible Bonds payable by the First CB Subscriber which is equal to the principal amount of the Convertible Bonds of HK\$100,000,000 will be partly settled by offsetting the principal amount of the Bond of HK\$70,000,000 to be repaid by the Company under the Redemption Notice and the remaining balance will be settled by the First CB Subscriber in cash.

### **Second CB Subscription Agreement**

Date: 8 December 2015 (after trading hours)

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

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## LETTER FROM THE BOARD

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### *Information about the Second CB Subscriber*

The Second CB Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holdings, with its entire issued share capital being wholly and beneficially owned by Chan Lai Pan.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, each of the Second CB Subscriber and its ultimate beneficial owner is an Independent Third Party and is independent of and not connected with each of the First CB Subscriber and the Share Subscribers.

### *Subject matter*

Pursuant to the Second CB Subscription Agreement, the Second CB Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Bonds in an aggregate principal amount of HK\$50,000,000.

As at the Latest Practicable Date, the Second CB Subscriber does not have any interest in the Shares. Upon all the conversion rights attaching to the Convertible Bonds in the principal amount of HK\$50,000,000 are exercised by the Second CB Subscriber in full at the initial Conversion Price, the Second CB Subscriber will be interested in 434,782,608 Shares, representing (i) approximately 8.27% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 7.63% of the issued share capital of the Company as enlarged by the allotment and issue of such number of the Conversion Shares.

### *Conditions precedent to the Second CB Subscription Agreement*

The completion of the Second CB Subscription Agreement is conditional upon:

- (a) the passing of the resolution(s) by the Shareholders (who are entitled to vote and not required to be abstained from voting) at the SGM approving the Second CB Subscription Agreement and the transactions contemplated thereunder including but not limited to the issue of the Second Convertible Bonds and the allotment and issue of the Conversion Shares;
- (b) the GEM Listing Committee of the Stock Exchange having granted the listing of and permission to deal in the Conversion Shares which may fall to be allotted and issued upon the exercise of the conversion rights attached to the Second Convertible Bonds; and
- (c) all necessary consents and approvals to be obtained on the part of each of the Company and the Second CB Subscriber in respect of the Second CB Subscription Agreement and the transactions contemplated hereunder having been obtained.

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## LETTER FROM THE BOARD

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The above conditions precedent are not capable of being waived by either the Company or the Second CB Subscriber. If any of the conditions precedent to the Second CB Subscription Agreement set out above is not fulfilled at or before 4:00 p.m. on the CB Subscription Long Stop Date (or such other time and date as may be agreed in writing by the parties to the Second CB Subscription Agreement), the Second CB Subscription Agreement and all rights and obligations thereunder will cease and terminate, save for any antecedent breaches of the Second CB Subscription Agreement.

### *Termination of the Second CB Subscription Agreement*

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

In the event that the innocent party terminates the Second CB Subscription Agreement, all the obligations of the parties under the Second CB Subscription Agreement shall cease and determine and no party shall be liable to the other party save for antecedent breaches.

### *Second CB Subscription Completion*

Completion of the Second CB Subscription Agreement shall take place on the Second CB Subscription Completion Date, which shall be the date falling within three Business Days after the date on which the conditions precedent to the Second CB Subscription Agreement are fulfilled or such other date as the Company and the Second CB Subscriber may agree.

Completion of any CB Subscriptions is not inter-conditional upon each other. The CB Subscription Agreement and the Share Subscription Agreement are not inter-conditional.

### *Principal terms of the Convertible Bonds*

The terms of the Convertible Bonds (including the Conversion Price) were arrived at after arm's length negotiations between the Company and the CB Subscribers. Set out below are the terms of the Convertible Bonds:

Issuer	:	the Company
Aggregate Principal amount	:	HK\$150,000,000
Maturity Date	:	the date falling twelve (12) months from the date of issue of the Convertible Bonds (or, if such date is not a Business Day, the first Business Day thereafter)



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## LETTER FROM THE BOARD

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- Interest : the Convertible Bonds bear interest from the date of issue at 5% per annum on the principal amount of the Convertible Bonds from time to time outstanding and payment to be made on the Maturity Date. The Convertible Bonds will cease to bear interest on the earlier of (a) the date of redemption of the Convertible Bonds by the Company; and (b) the Maturity Date. In the event that the holder of the Convertible Bonds has converted part or whole of the principal amount of the Convertible Bonds, the holder of the Convertible Bonds shall not be entitled to any interest in respect of such part or whole of the principal amount of the Convertible Bonds
- Redemption : the Company may at any time before the Maturity Date and from time to time by serving at least ten (10) calendar days' prior written notice ("**Early Redemption Notice**") on the holder of the Convertible Bonds with the total amount proposed to be redeemed from the holder of the Convertible Bonds specified therein, redeem the Convertible Bonds (in whole or in part) at 110% of the total amount of such Convertible Bonds together with payment of interests accrued up to the date of such early redemption. Once the Early Redemption Notice is served, the Company shall not accept any request by the holder of the Convertible Bonds relating to the conversion of the Convertible Bonds (in whole or in part)
- any principal amount of the Convertible Bonds which has not been converted in accordance with the terms and conditions of the Convertible Bonds by the Maturity Date shall be redeemed by the Company on the Maturity Date at a redemption amount equal to 100% of the principal amount of the outstanding Convertible Bonds (together with all interest accrued thereon)
- Conversion period : any time after the date of issue of the Convertible Bonds and up to and including the Maturity Date

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## LETTER FROM THE BOARD

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Conversion Price : the initial Conversion Price is HK\$0.115 per Conversion Share, subject to the adjustments as set out and in accordance with the terms and conditions of the Convertible Bonds.

the initial Conversion Price of HK\$0.115 per Conversion Share represents:

- (i) a discount of approximately 57.41% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 30.72% to the closing price of HK\$0.166 per Share as quoted on the Stock Exchange on 8 December 2015, being the date of the CB Subscription Agreements;
- (iii) a discount of approximately 31.87% to the average closing price of approximately HK\$0.169 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately before the date of the CB Subscription Agreements;
- (iv) a discount of approximately 36.64% to the average closing price of approximately HK\$0.182 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately before the date of the CB Subscription Agreements; and
- (v) a premium of approximately 19.79% to the unaudited consolidated net asset value per Share of approximately HK\$0.096 as at 30 June 2015 (based on the unaudited consolidated net asset value of the Group over the number of Shares in issue as at 30 June 2015).

the Conversion Price was determined after arm's length negotiations between the Company and each of the CB Subscribers with reference to the prevailing market price of the Shares.

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## LETTER FROM THE BOARD

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- Adjustment events : the Conversion Price shall from time to time be subject to adjustment upon occurrence of certain events:
- (i) any consolidation or subdivision of the Shares;
  - (ii) issue (other than in lieu of a cash dividend) of any Shares credited as fully paid by way of capitalization of profits or reserves (including any share premium account or capital redemption reserve fund);
  - (iii) any capital distribution to the Shareholders or granting the Shareholders rights to acquire for cash assets of the Company or any of its subsidiaries;
  - (iv) offer of new Shares for subscription by way of rights, or a grant of options or warrants to subscribe for new Shares, at a price which is less than 80% of the market price per Share to Shareholders;
  - (v) issue wholly for cash being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per new Share receivable is less than 80% of the market price, or the conversion, exchange or subscription rights of any such issue are altered so that the said total effective consideration receivable is less than 80% of such market price; and
  - (vi) issue of Shares being made wholly for cash at a price less than 80% of the market price per Share.
- Conversion Shares : based on the initial Conversion Price of HK\$0.115, a total of 1,304,347,825 Conversion Shares will be allotted and issued by the Company upon exercise of the conversion rights attaching to the Convertible Bonds in full, representing:
- (a) approximately 24.80% of the existing issued share capital of the Company as at the date of the CB Subscription Agreements; and

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## LETTER FROM THE BOARD

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- (b) approximately 19.87% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

The aggregate nominal value of the Conversion Shares shall be HK\$13,043,478.25.

Conversion rights : the holder of the Convertible Bonds may, at any time during the period commencing from the date of issue of the Convertible Bonds and up to and including the Maturity Date, requires the Company to convert the whole or any part of the principal amount outstanding (in minimum amount of HK\$100,000 or whole multiple thereof) under the Convertible Bonds into Shares. The Conversion Shares shall be allotted and issued in board lots in the name of the holder of the Convertible Bonds or if it so directs any other person(s) pursuant to such conversion and shall be delivered to the holder of the Convertible Bonds within fourteen (14) Business Days after the date of presentation of the relevant original certificate issued in respect of the Convertible Bonds. Any balance of the Convertible Bonds not converted shall be returned to the holder of the Convertible Bonds.

no fraction of a Share will be issued on conversion and no cash adjustments will be made in respect thereof. The Conversion Shares shall be entitled to all dividends, bonuses and other distributions the record date of which falls on a date on or after the date of issue and allotment of the Conversion Shares.

Conversion restrictions : upon exercise of the conversion rights attaching to the Convertible Bonds,

- (i) the holders of the Convertible Bonds and their respective associates, together with parties acting in concert (as defined in the Takeovers Code) with them, will not trigger a mandatory offer obligation under Rule 26 of the Takeovers Code;
- (ii) the public float of the Company will not be unable to meet the relevant requirements under the GEM Listing Rules;

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## LETTER FROM THE BOARD

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- (iii) no conversion rights may be exercised by any person who is a restricted holder (where a holder of the Convertible Bonds who is a resident or national of any jurisdiction other than Hong Kong under the laws and regulations of which an exercise of the conversion rights by such holder of the Convertible Bonds or the performance by the Company of the obligations expressed to be assumed by it under the conditions or the allotment and issue and holding of the Conversion Shares cannot be carried out lawfully or cannot be carried out lawfully without the Company first having to take certain actions in such jurisdiction), and the exercise of any conversion rights by the holder of the Convertible Bonds shall constitute a confirmation, representation and warranty by it to the Company that it is not a restricted holder and that all necessary governmental, regulatory or other consents or approvals and all formalities have been obtained and observed by it to enable it to exercise legally and validly the relevant conversion rights, to hold the Conversion Shares allotted and issued upon exercise of the conversion rights, and the Company to legally and validly allot and issue the Conversion Shares

- Ranking : the Conversion Shares issued upon exercise of conversion rights attaching to the Convertible Bonds shall be free from any Encumbrance and will rank pari passu in all respects with all other existing Shares outstanding at the date of the conversion notice and all Conversion Shares shall include rights to participate in all dividends, bonuses and other distributions the record date of which falls on or after the date of issue and allotment of the Conversion Share
- Voting : the holders of the Convertible Bonds shall not be entitled to attend or vote at any meetings of the Company by reason only of being the holders of the Convertible Bonds
- Transferability : the Convertible Bonds are assignable and transferable subject to the applicable laws and regulations, and the GEM Listing Rules, provided always that no transfer or assignment of the Convertible Bonds shall be made to any connected person of the Company (as defined in the GEM Listing Rules)

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## LETTER FROM THE BOARD

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Listing : no application will be made by the Company to the Stock Exchange for listing of the Convertible Bonds. 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 Conversion Shares

### **CB Specific Mandate**

The Conversion Shares will be allotted and issued under the CB Specific Mandate to be sought for approval by the Shareholders at the SGM.

## **II. PROPOSED ISSUE OF NEW SHARES**

Reference is made to the announcement of the Company dated 8 December 2015 regarding, among other matters, the Share Subscriptions.

### **The First Share Subscription Agreement**

Date: 8 December 2015 (after trading hours)

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

### ***Information about the First Share Subscriber***

The First Share Subscriber is an individual investor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, the First Share Subscriber is an Independent Third Party and is independent of and not connected with each of the CB Subscribers and the Second Share Subscriber.

Pursuant to the First Share Subscription Agreement, the First Share Subscriber has conditionally agreed to subscribe, in cash, for and the Company has conditionally agreed to allot and issue 870,000,000 new Shares at the Subscription Price of HK\$0.115 per Subscription Share in an aggregate amount of HK\$100,050,000.

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## LETTER FROM THE BOARD

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### *The First Subscription Shares*

The First Subscription Shares comprise 870,000,000 new Shares, representing (i) approximately 16.54% of the existing issued share capital of the Company as at the date of the First Share Subscription Agreement; (ii) approximately 14.19% of the issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares; (iii) approximately 12.43% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; and (iv) approximately 10.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares (assuming no further change in the share capital structure of the Company from the Latest Practicable Date and up to the completion of the Share Subscriptions).

### **The Second Share Subscription Agreement**

Date: 8 December 2015 (after trading hours)

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

### *Information about the Second Share Subscriber*

The Second Share Subscriber is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holding, owned as to 50% by Mr. Chan Chun Wo and 50% by Ms. Huang Fan.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the Latest Practicable Date, each of the Second Share Subscriber and its ultimate beneficial owners is an Independent Third Party and is independent of and not connected with each of the CB Subscribers and the First Share Subscriber.

Pursuant to the Second Share Subscription Agreement, the Second Share Subscriber has conditionally agreed to subscribe, in cash, for and the Company has conditionally agreed to allot and issue 870,000,000 new Shares at the Subscription Price of HK\$0.115 per Subscription Share in an aggregate amount of HK\$100,050,000.

### *The Second Subscription Shares*

The Second Subscription Shares comprise 870,000,000 new Shares, representing (i) approximately 16.54% of the existing issued share capital of the Company as at the date of the Second Share Subscription Agreement; (ii) approximately 14.19% of the issued share capital of the Company as enlarged by the allotment and issue of the Second Subscription Shares; (iii) approximately 12.43% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares; and (iv) approximately 10.48% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares and the Conversion Shares (assuming no further change in the share capital structure of the Company from the Latest Practicable Date and up to the completion of the Share Subscriptions).

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## LETTER FROM THE BOARD

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### **PRINCIPAL TERMS OF EACH OF THE SHARE SUBSCRIPTION AGREEMENTS**

Apart from the identities of the Share Subscribers, the remaining terms of each of the Share Subscription Agreements are the same. Set out below are the key terms of the Share Subscription Agreements.

#### **Share Subscription Refundable Deposit**

Each of the Share Subscribers shall, within 7 Business Days upon signing of the respective Share Subscription Agreements, pay to the Company the Share Subscription Refundable Deposit, amounting to HK\$10,000,000, as deposit and part payment of the full Subscription Price pursuant to the relevant Share Subscription Agreements.

If all the conditions precedent to the respective Share Subscription Agreements are fulfilled or waived (if applicable) at or before 4:00 p.m. on the Share Subscription Long Stop Date but the Company does not proceed to the completion of the respective Share Subscription Agreements for any reason not caused by the relevant Share Subscribers, the Company shall refund the relevant Share Subscription Refundable Deposit, without interest, to the relevant Share Subscriber within 7 Business Days as full and final settlement under the relevant Share Subscription Agreements. If all the conditions precedent to the respective Share Subscription Agreements are fulfilled or waived (if applicable) at or before 4:00 p.m. on the Share Subscription Long Stop Date but completion of the respective Share Subscription Agreements does not proceed for any reason caused by the relevant Share Subscribers, the Company shall have the right to forfeit the relevant Share Subscription Refundable Deposit as liquidated damages. If all the conditions precedent to the respective Share Subscription Agreements are fulfilled or waived (if applicable) at or before 4:00 p.m. on the Share Subscription Long Stop Date but completion of the respective Share Subscription Agreements does not proceed for any reason not caused by the Company or the relevant Share Subscribers, the Company shall refund the relevant Share Subscription Refundable Deposit, without interest, to the respective Share Subscribers.

The remaining Subscription Price for the First Subscription Shares and the Second Subscription Shares respectively is payable in cash by each of the First Share Subscriber and the Second Share Subscriber upon the completion of the respective Share Subscription Agreements.



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## LETTER FROM THE BOARD

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### Conditions precedent

The completion of each of the Share Subscriptions is conditional upon fulfillment (or where applicable, waiver) of the following conditions:

- (i) the Shareholders having passed resolution(s) at the SGM to approve each of the respective Share Subscription Agreements and the transactions contemplated thereunder (including the grant of the Subscription Specific Mandate in respect of the respective Subscription Shares);
- (ii) the granting of the listing of and permission to deal in the respective Subscription Shares by the GEM Listing Committee of the Stock Exchange (and such listing and permission not subsequently revoked prior to the completion of the respective Share Subscriptions);
- (iii) the warranties given by the Company under the respective Share Subscription Agreements remaining true, accurate and not misleading in all material respects, as given on the date of the relevant Share Subscription Agreements and at the date of the completion of the relevant Share Subscriptions;
- (iv) in accordance with the laws or rules of any relevant jurisdiction, the Company having obtained all consent, approval, filing and records (if applicable) from any governmental or regulatory authorities or other third parties necessary for the purposes of executing and performing the respective Share Subscription Agreements and completing the transactions contemplated under the respective Share Subscription Agreements; and
- (v) the obtaining of all necessary consent and approval by each of the Share Subscribers and the respective Share Subscribers have complied with their responsibility and obligation under the relevant Share Subscription Agreements and there has been no breach of any representations or warranties of the respective Share Subscribers.

Save that the respective Share Subscribers may waive the conditions precedent in paragraph (iii) above, none of the other conditions precedent may be waived by the Company or the respective Share Subscribers. If any of the above conditions precedent is not fulfilled or waived (if applicable) at or before 4:00 p.m. on the Share Subscription Long Stop Date or such other time and date as may be agreed between the Company and the respective Share Subscribers in writing, the respective Share Subscription Agreements and all rights and obligations thereunder will cease and terminate, save for any antecedent breaches of the respective Share Subscription Agreements.

### Termination

An innocent party may after consultation with the defaulting party (to the extent that the same is reasonably practicable) terminate the respective Share Subscription Agreements without liability to defaulting party by giving notice in writing to the defaulting party before the completion of the respective Share Subscription Agreements, there occurs any material breach of any provision of the respective Share Subscription Agreements.

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## LETTER FROM THE BOARD

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In the event that the innocent party terminates the respective Share Subscription Agreements:

- (i) as a result of the default of the Company alone, the Company shall refund the relevant Share Subscription Refundable Deposit, without interest, to the respective Share Subscribers;
- (ii) as a result of the default of the respective Share Subscribers alone, the Company shall forfeit the relevant Share Subscription Refundable Deposit; and
- (iii) all obligations of each of the parties under the respective Share Subscription Agreements shall cease and determine and no party shall be liable to the other party save for antecedent breaches.

### **Completion**

The completion of the Share Subscription Agreements shall take place on the Share Subscription Completion Date, which shall be the date falling within three Business Days after the date on which all the conditions precedent under the respective Share Subscription Agreements are fulfilled (or waived, if applicable) or such other date as the Company and the relevant Share Subscribers may agree.

Completion of any Share Subscriptions is not inter-conditional upon each other. The Share Subscription Agreement and the CB Subscription Agreement are not inter-conditional.

### **Subscription Price**

The Subscription Price of HK\$0.115 per Subscription Share represents:

- (i) a discount of approximately 30.72% to the closing price of HK\$0.166 per Share as quoted on the Stock Exchange on 8 December 2015, being the date of the Share Subscription Agreements;
- (ii) a discount of approximately 31.87% to the average closing price of approximately HK\$0.169 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Share Subscription Agreements;
- (iii) a discount of approximately 36.64% to the average closing price of approximately HK\$0.182 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Share Subscription Agreements;

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## LETTER FROM THE BOARD

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- (iv) a discount of approximately 57.41% to the closing price of HK\$0.27 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a premium of approximately 19.79% to the unaudited consolidated net asset value per Share of approximately HK\$0.096 as at 30 June 2015 (based on the unaudited consolidated net asset value of the Group over the number of Shares in issue as at 30 June 2015).

The aggregate net proceeds from the Share Subscriptions is estimated to be approximately HK\$200,100,000. The net subscription price per Subscription Share is approximately HK\$0.115.

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

### **Ranking of the Subscription Shares**

The aggregate nominal value of the Subscription Shares is HK\$17,400,000. 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 date of allotment and issue of the Subscription Shares, 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 date of the completion of the Share Subscriptions.

### **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.

### **Subscription Specific Mandate**

The Subscription Shares will be allotted and issued under the Subscription Specific Mandate to be sought for approval by the Shareholders at the SGM.

### **REASONS FOR AND BENEFITS OF THE CB SUBSCRIPTIONS AND THE SHARE SUBSCRIPTIONS 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.

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## LETTER FROM THE BOARD

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On the assumption that all the Subscription Shares are successfully subscribed, the aggregate gross proceeds arising from the Share Subscriptions will be HK\$200,100,000 and the aggregate net proceeds arising from the Share Subscriptions, after deduction of expenses, are estimated to be approximately HK\$200,100,000, representing a net issue price of approximately HK\$0.115 per Subscription Share. The net proceeds from the Share Subscriptions will be applied as to (i) approximately HK\$56.95 million for reduction of the Group's level of debt; and (ii) the remaining net proceeds will be used for funding any future business developments and/or potential investment opportunities, especially in the field of renewable energy (which may include (but are not limited to) further business development of the Group's newly acquired subsidiary, 山西中澤恒遠生物科技有限公司 (Shanxi Zhongze Heng Yuan Biological Technology Company Limited\*), which is principally engaged in research and development, manufacturing and selling of castor seeds, manufacturing and selling of castor beans, research and development of technology of biological products, research and development of technology of new technology of castor industry, promotion of technology, application of technology and selling of castor oil, and the possible acquisition of the entire issued share capital of 大慶澳瑞生物能源有限公司 (Daqing AORUI Bioenergy Co., Ltd.\*) ("**Daqing AORUI**"), which the Company has entered into a memorandum of understanding on 1 December 2015, details of which are set out in the announcement of the Company dated 1 December 2015). Based on the information currently available to the Company, Daqing AORUI, a company incorporated in the PRC with limited liability, is principally engaged in the manufacturing and sale of biodiesel products. Daqing AORUI currently has two biodiesel production lines in the PRC and plans to transform and upgrade one of its two production lines for the manufacturing of biomass-based aviation fuel.

Assuming the Convertible Bonds are successfully subscribed, the gross proceeds of the CB Subscriptions will be HK\$150,000,000 and the net proceeds of the CB Subscriptions amounting to approximately HK\$150,000,000. Based on the net proceeds from the CB Subscriptions, the net subscription price per Conversion Share is estimated to be approximately HK\$0.115. The Company intends to apply the net proceeds of the CB Subscriptions as to (i) HK\$70,000,000 for redeeming the Bond pursuant to the Bond Instrument; and (ii) the remaining net proceeds will be used for funding any future business developments and/or potential investment opportunities, especially in the field of renewable energy.

The Directors are of the view that the Share Subscriptions and the CB Subscriptions represent an opportunity for the Company to raise funds to strengthen its overall financial position as well as to provide funding to the Group for its development and investment with an objective to provide attractive returns for the Shareholders. The Board considers that the early redemption of the Bond could save the finance cost to the Company by the First CB Subscription.

The Directors consider that the terms of the Share Subscription Agreements (including the Subscription Price) and the CB Subscription Agreements (including the interest rate and the Conversion Price) are on normal commercial terms, fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### EFFECTS ON SHAREHOLDING STRUCTURE AS A RESULT OF THE CB SUBSCRIPTIONS AND THE SHARE SUBSCRIPTIONS

The table below illustrates the shareholding structure of the Company as at the Latest Practicable Date and under various scenarios, for illustrative purposes only (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of full conversion of the Convertible Bonds):

- (1) as at the Latest Practicable Date (“**Scenario 1**”);
- (2) if the CB Subscriptions and the Second Share Subscription do not proceed to completion and only the First Share Subscription has been completed (“**Scenario 2**”);
- (3) if the CB Subscriptions and the First Share Subscription do not proceed to completion and only the Second Share Subscription has been completed (“**Scenario 3**”);
- (4) if the Share Subscriptions and the Second CB Subscription do not proceed to completion and only the First CB Subscription has been completed and immediately upon exercise in full of the conversion rights attaching to the First Convertible Bonds at the initial Conversion Price (“**Scenario 4**”);
- (5) if the Share Subscriptions and the First CB Subscription do not proceed to completion and only the Second CB Subscription has been completed and immediately upon exercise in full of the conversion rights attaching to the Second Convertible Bonds at the initial Conversion Price (“**Scenario 5**”); and
- (6) if all the Share Subscriptions and the CB Subscriptions have been completed and exercise in full of the conversion rights attaching to the Convertible Bonds at the initial Conversion Price (“**Scenario 6**”):

## LETTER FROM THE BOARD

	Scenario 1		Scenario 2		Scenario 3		Scenario 4		Scenario 5		Scenario 6	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Xiao Yan (Note 1)	2,273,334	0.04	2,273,334	0.04	2,273,334	0.04	2,273,334	0.04	2,273,334	0.04	2,273,334	0.03
Qiu Bin (Note 2)	2,408,000	0.05	2,408,000	0.04	2,408,000	0.04	2,408,000	0.04	2,408,000	0.04	2,408,000	0.03
Ascent Creations Group Limited (Note 3)	590,000,000	11.22	590,000,000	9.62	590,000,000	9.62	590,000,000	9.63	590,000,000	10.36	590,000,000	7.10
First CB Subscriber	—	—	—	—	—	—	869,565,217	14.19	—	—	869,565,217	10.47
Second CB Subscriber	—	—	—	—	—	—	—	—	434,782,608	7.63	434,782,608	5.24
First Share Subscriber	—	—	870,000,000	14.19	—	—	—	—	—	—	870,000,000	10.48
Second Share Subscriber	—	—	—	—	870,000,000	14.19	—	—	—	—	870,000,000	10.48
Public Shareholders (Note 4)	4,665,508,854	88.69	4,665,508,854	76.11	4,665,508,854	76.11	4,665,508,854	76.10	4,665,508,854	81.93	4,665,508,854	56.17
<b>Total</b>	<b>5,260,190,188</b>	<b>100.00</b>	<b>6,130,190,188</b>	<b>100.00</b>	<b>6,130,190,188</b>	<b>100.00</b>	<b>6,129,755,405</b>	<b>100.00</b>	<b>5,694,972,796</b>	<b>100.00</b>	<b>8,304,538,013</b>	<b>100.00</b>

*Notes:*

- (1) Mr. Xiao Yan is the chief executive officer of the Company and an executive Director.
- (2) Mr. Qiu Bin is an executive Director.
- (3) Mr. Wang Peng (王鵬) (“**Mr. Wang**”) is the legal and beneficial owner of the entire issued share capital of Ascent Creations Group Limited. Hence, Mr. Wang is deemed to be interested in 590,000,000 Shares through the shareholding interest of Ascent Creations Group Limited in the Company.

The Company is expected to satisfy the minimum public float requirement as prescribed under the GEM Listing Rules under scenarios 1 to 6 above.

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## LETTER FROM THE BOARD

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### 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 undertaken any equity fund raising activities in the 12 months immediately preceding the Latest Practicable Date.

<b>Date of announcement</b>	<b>Fund-raising activity</b>	<b>Net proceeds raised (approximately)</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds</b>
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
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	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

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## LETTER FROM THE BOARD

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Date of announcement	Fund-raising activity	Net proceeds raised (approximately)	Intended use of proceeds	Actual use of proceeds
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	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
28 October 2015 and 9 November 2015	Issue of a total of 590,000,000 new Shares at HK\$0.105 each by way of subscription of new Shares	HK\$61.95 million	(i) approximately HK\$5 million as general working capital of the Company; and  (ii) 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*) and/or to finance any potential investment opportunities of the Group that may arise from time and time	(i) Used as intended;  (ii) HK\$20.95 million for the payment of other payable of the Group; and HK\$36 million was used to pay as deposit to the vendor for the possible acquisition of the entire issued share capital of 大慶澳瑞生物能源有限公司 (Daqing AORUI Bioenergy Co., Ltd.*) pursuant to the memorandum of understanding dated 1 December 2015

### III. PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

Pursuant to an ordinary resolution passed by the Shareholders at the AGM, the Directors were granted the Current Issue Mandate to allot and issue up to 860,038,037 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. There had not been any refreshment of the Current Issue Mandate since the date of AGM up to the Latest Practicable Date.



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## LETTER FROM THE BOARD

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### Fund raising activities under the Current Issue Mandate

Save for the fund raising activity mentioned below 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 Company has not carried out other fund raising activities under the Current Issue Mandate since the date of AGM up to the Latest Practicable Date.

Date of announcement	Event	Estimated net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
18 August 2015, 27 August 2015 and 14 September 2015	the August Subscription (as defined below)	HK\$27 million	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
28 October 2015 and 9 November 2015	the October Subscription (as defined below)	HK\$61.95 million	(i) approximately HK\$5 million as general working capital of the Company; and  (ii) 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*) and/or to finance any potential investment opportunities of the Group that may arise from time and time	(i) Used as intended;  (ii) HK\$20.95 million for the payment of other payable of the Group; and HK\$36 million was used to pay as deposit to the vendor for the possible acquisition of the entire issued share capital of 大慶澳瑞生物能源有限公司 (Daqing AORUI Bioenergy Co., Ltd.*) pursuant to the memorandum of understanding dated 1 December 2015

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## LETTER FROM THE BOARD

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### **Extent of Current Issue Mandate utilised**

Reference is made to the announcements of the Company dated 18 August 2015, 27 August 2015, 14 September 2015, 17 September 2015 and 30 September 2015, the Company and six subscribers namely National United Resources Holdings Limited, Ms. Zhao Wen Jia (趙文佳), Mr. Han Jianguo (韓建國), Mr. Lin Yunfeng (林雲峰), Mr. Xu Bo (徐波) and Mr. Xu Yijia (徐一稼) entered into six separate subscription agreements on 18 August 2015, pursuant to which the Company conditionally agreed to issue, and the subscribers have conditionally agreed to subscribe for, an aggregate of 630,000,000 new Shares under the Current Issue Mandate at a subscription price of HK\$0.10 per subscription share (the “**August Subscription**”). The subscription of 220,000,000 new Shares by National United Resources Holdings Limited and 20,000,000 new Shares by Mr. Xu Yijia (徐一稼) was completed on 27 August 2015 and the subscription of 30,000,000 new Shares by Ms. Zhao Wen Jia (趙文佳) was completed on 14 September 2015. On 30 September 2015, the remaining three subscription agreements, between the Company and three subscribers namely Mr. Han Jianguo (韓建國), Mr. Lin Yunfeng (林雲峰) and Mr. Xu Bo (徐波) respectively, in relation to a total of 360,000,000 new Shares under August Subscription were terminated.

Reference is made to the announcements of the Company dated 28 October 2015 and 9 November 2015, the Company and Ascent Creations Group Limited as subscriber entered into a subscription agreement on 28 October 2015, pursuant to which the Company conditionally agreed to issue, and the subscriber has conditionally agreed to subscribe for, 590,000,000 new Shares under the Current Issue Mandate at a subscription price of HK\$0.105 per subscription share (the “**October Subscription**”). The October Subscription was completed on 9 November 2015.

As such, as at the Latest Practicable Date, the Current Issue Mandate had been utilised as to 860,000,000 Shares, representing approximately 99.996% of the aggregate number of Shares which were allowed to be allotted, issued and dealt with under the Current Issue Mandate. Subsequent to the August Subscription and the October Subscription, there only remains 38,037 Shares issuable under the Current Issue Mandate, representing approximately 0.0007% of the issued share capital of the Company as at the Latest Practicable Date.

### **Reasons for the proposed grant of the Refreshed General Mandate**

As disclosed in the sub-section headed “Extent of Current Issue Mandate utilised” above, the Current Issue Mandate had been almost fully utilised by the Company.

As the Latest Practicable Date, save for those as previously announced by the Company, the Company has no concrete plan or is in negotiation for any other new investment/acquisition of business by the Group with specific funding needs.

As at the Latest Practicable Date, the Company no current plan to utilise the Refreshed General Mandate.

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## LETTER FROM THE BOARD

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The Directors consider that it is important for the Company to be able to raise fund quickly in order to seize the investment opportunities that may arise. Taking into account that (i) the Current Issue Mandate has been almost fully utilised; (ii) the next annual general meeting of the Company is only expected to be held in about May 2016, which is around five months away from the Latest Practicable Date; (iii) the granting of the Refreshed General Mandate provides more flexibility and options of financing to the Group for its future business development and/or any potential investment opportunities to be identified by the Company. Accordingly, the Board considers that the approval of the grant of Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

As the Latest Practicable Date, a total of 5,260,190,188 Shares were in issue. Subject to the passing of the proposed resolution for the refreshment of the Current Issue Mandate and on the basis that no change in the issued share capital of the Company prior to the date of the SGM, the Company will be allowed under the Refreshed General Mandate to issue a maximum of 1,052,038,037 new Shares.

The Refreshed General Mandate, if granted, will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the end of the period within which the Company is required by the Bye-Laws or any applicable laws to hold its next annual general meeting; and (c) when revoked or varied by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

The Independent Board Committee, comprising Mr. Leung Wo Ping *JP*, Mr. Hu Dingdong, Mr. Lei Yong and Mr. Chiu Chi Kong, all being independent non-executive Directors, has been established to advise the Independent Shareholders on the proposed grant of the Refreshed General Mandate. Messis Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

As the proposed grant of the Refreshed General Mandate is to be proposed to the Shareholders before the Company's next annual general meeting, pursuant to the GEM Listing Rules, this proposal is subject to the Independent Shareholders' approval by way of poll at the SGM. According to Rule 17.42A(1) of the GEM Listing Rules, any controlling Shareholders and their associates or, where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to approve the proposed grant of the Refreshed General Mandate to be proposed at the SGM.

As at the Latest Practicable Date, to the best knowledge, belief and information of the Directors, the Company has no controlling Shareholder and Mr. Xiao Yan, an executive Director and the chief executive officer of the Company, was interested in 2,273,334 Shares (representing approximately 0.04% of the Shares in issue) and Mr. Qiu Bin, an executive Director, was interested in 2,408,000 Shares (representing approximately 0.05% of the Shares in issue). As such, Mr. Xiao Yan and Mr. Qiu Bin, together with their respective associates, who as at the date of the SGM shall hold any Shares, are required to abstain from voting in favour of the resolution to approve the proposed grant of the Refreshed General Mandate at the SGM.

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## LETTER FROM THE BOARD

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### RE-ELECTION OF RETIRING DIRECTORS

Pursuant to Bye-law 86(2) of the Bye-Laws, Mr. Chiu Chi Kong (“**Mr. Chiu**”), who was appointed as an independent non-executive Director, Mr. Wang Kun (“**Mr. Wang**”), who was re-designated as a non-executive Director and Mr. Gao Yang (“**Mr. Gao**”), who was re-designated as an executive Director respectively on 18 December 2015, will hold office until the SGM and being eligible, will offer themselves for re-election. Resolutions for re-electing Mr. Chiu, Mr. Wang and Mr. Gao as Directors will be proposed at the SGM.

The biographical and other details of Mr. Chiu, Mr. Wang and Mr. Gao who are proposed to be re-elected at the SGM are set in Appendix I to this circular.

### SGM

The SGM will be held at Unit 2, 24/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Thursday, 28 January 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, approving the ordinary resolutions in respect of (i) the CB Subscription Agreement the transactions contemplated thereunder, the issue of the Convertible Bonds and the allotment of the Conversion Shares under the CB Specific Mandate; (ii) the Share Subscription Agreements and the transactions contemplate thereunder and the allotment and issue of the Subscription Shares under the Subscription Specific Mandate; (iii) the proposed grant of the Refreshed General Mandate; and (iv) re-election of retiring Directors. The notice of the SGM is set out on pages SGM-1 to SGM-6 of this circular.

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll. The proposed issue of the Convertible Bonds and the proposed grant of the CB Specific Mandate to issue the Conversion Shares, the proposed grant of the Subscription Specific Mandate to issue the Subscription Shares and the re-election of retiring Directors are subject to the approval by the Shareholders at the SGM to be taken by way of a poll. Meanwhile, the Refreshed General Mandate is subject to the approval by the Independent Shareholders at the SGM to be taken by way of a poll.

You will find enclosed a form of proxy for use at the SGM. Whether or not you are able to attend the SGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the SGM to the office of the Company’s branch share registrar in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM in person should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, none of the Shareholder has a material interest in (i) the proposed issue of the Convertible Bonds and the proposed grant of the CB Specific Mandate to issue the Conversion Shares; (ii) the proposed grant of the Subscription Specific Mandate to issue the Subscription Shares; and (iii) the re-election of retiring Directors and accordingly, no Shareholders is required to abstain from voting on the relevant resolution(s) to be proposed at the SGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors are of the view that the terms of the CB Subscription Agreements (including the issue of the Convertible Bonds and the allotment and issue of the Conversion Shares) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolution to be proposed at the SGM.

The Directors are also of the view that the terms of the Share Subscription Agreements are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM.

In addition, the Directors consider that the re-election of retiring Directors are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to approve the re-election of retiring Directors at the SGM.

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 36 of this circular and the letter of advice from the Independent Financial Adviser set out on pages 37 to 47 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the proposed grant of the Refreshed General Mandate and the principal factors considered by it in arriving at its recommendation.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that the proposed grant of the Refreshed General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the resolution relating to the proposed grant of the Refreshed General Mandate to be proposed at the SGM.

Accordingly, the Directors (including the independent non-executive Directors) consider that the proposed grant of the Refreshed General Mandate is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the resolution relating to the proposed grant of the Refreshed General Mandate to be proposed at the SGM.

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## LETTER FROM THE BOARD

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### RESPONSIBILITY STATEMENT

This circular, 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 circular 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 circular misleading.

Yours faithfully,  
By Order of the Board  
**HENG XIN CHINA HOLDINGS LIMITED**  
**Xiao Yan**  
*Chief Executive Officer*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)

12 January 2016

*To the Independent Shareholders*

Dear Sir or Madam,

#### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES**

We have been appointed as the Independent Board Committee to advise the Independent Shareholders in connection with the proposed grant of the Refreshed General Mandate, details of which are set out in the circular of the Company to the Shareholders dated 12 January 2016 (“**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the advice of Independent Financial Adviser in relation thereto as set out in the Circular, we are of the view that the proposed grant of the Refreshed General Mandate is fair and reasonable so far as the Independent Shareholders are concerned and that the proposed grant of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the SGM to approve the proposed grant of the Refreshed General Mandate.

Yours faithfully

**Independent Board Committee**

**Mr. Leung Wo Ping JP**

*(Independent non-executive Director)*

**Mr. Hu Dingdong**

*(Independent non-executive Director)*

**Mr. Lei Yong**

*(Independent non-executive Director)*

**Mr. Chiu Chi Kong**

*(Independent non-executive Director)*

\* for identification purpose only

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser which sets out its advice to the Independent Board Committee and the Independent Shareholders for inclusion in this circular.*



大有融資有限公司  
**MESSIS CAPITAL LIMITED**

12 January 2016

*To: The Independent Board Committee and the Independent Shareholders of  
Heng Xin China Holdings Limited*

Dear Sir/Madam,

### **PROPOSED REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES**

#### **INTRODUCTION**

We refer to our engagement as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Current Issue Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 12 January 2016, of which this letter forms part. Terms used in this letter have the same meanings as defined in the Circular unless the context otherwise requires.

Pursuant to Rule 17.42(A)(1) of the GEM Listing Rules, the refreshment of the Current Issue Mandate requires the approval of the Independent Shareholders at the SGM at which any of the controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution regarding the granting of the Refreshed General Mandate to be proposed at the SGM. To the best of the Company’s information and belief after having made reasonable enquiries, as at the Latest Practicable Date, there was no controlling Shareholder. Accordingly, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates are required to abstain from voting in favour of the resolution approving the granting of the Refreshed General Mandate at the SGM.

The Independent Board Committee comprising Mr. Leung Wo Ping *JP*, Mr. Hu Dingdong, Mr. Lei Yong and Mr. Chiu Chi Kong, all being independent non-executive Directors, has been established to advise whether the granting of the Refreshed General Mandate is in the interest of the Company and the Independent Shareholders as a whole and to advise the Independent Shareholders on how to vote. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser to advise the independent board committee and the independent shareholders in this regard.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. In the last two years, we have acted as the independent financial adviser to the Independent Board Committee and the Independent Shareholders of the Company for the following transaction:

#### **Date of the relevant circular and our letter of advice**

#### **Nature of the transaction**

5 February 2015

Proposed refreshment of general mandate to issue shares

Apart from normal professional fees paid or payable to us in connection with the previous appointment mentioned above as well as this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that the aforementioned previous appointments would not affect our independence, and that we are independent pursuant to Rule 17.97 of the GEM Listing Rules.

### BASIS OF OUR ADVICE

In arriving at our recommendation, we have relied on the information and facts provided by the Company and have assumed that any representations made to us are true, accurate and complete. We have also relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information, representations and opinions which have been provided by the Directors and the management of the Company for which they are solely responsible, are true and accurate at the time they were made and will continue to be accurate at the date of the despatch of the Circular.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. Having made all reasonable enquiries, the Directors have further confirmed that, to the best of their knowledge, they believe there are no other facts or representations the omission of which would make any statement in the Circular, including this letter, misleading. We have not, however, carried out any independent verification of the information provided by the Directors and management of the Company, nor have we conducted any independent investigation into the business and affairs of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the refreshment of the Current Issue Mandate, we have taken the following principal factors and reasons into consideration:

#### 1. Background and reasons for the refreshment of the Current Issue Mandate

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.

At the annual general meeting of the Company held on 15 May 2015, the Shareholders passed, among other things, the ordinary resolution to approve the granting of the Current Issue Mandate to the Directors to allot, issue and deal with up to 860,038,037 Shares, being 20% of the entire issued share capital of the Company as at the date of the annual general meeting.

As at the Latest Practicable Date, the Current Issue Mandate was substantially utilised as to approximately 99.996%, representing an aggregate of 860,000,000 new Shares issued under the Current Issue Mandate. In order to maintain financial flexibility for the Company to raise further funds through the issue of new Shares for its proposed transactions to be discussed below as well as its future business development as and when an opportunity arises, the Board proposes to seek the approval of Independent Shareholders at the SGM to grant the Refreshed General Mandate such that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company at the date of SGM.

#### *Funding needs with respect to the proposed/possible acquisition and investment of the Group*

On 26 January 2015, 北京凱僑立盛科技有限公司 (Beijing Kaiqiao Lisheng Technology Company Limited\*, “**Beijing Kaiqiao**”), a wholly-owned subsidiary of the Company, entered into an agreement (the “**Capital Injection Agreement**”) with 中祥恒遠投資管理有限公司 (Zhong Xiang Heng Yuan Investment Management Company Limited\*, “**Zhong Xiang**”) and 胡國勝 (Hu Guosheng), pursuant to which Beijing Kaiqiao has conditionally agreed to inject the sum of RMB52 million (equivalent to approximately HK\$62 million) in cash (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\*, “**Shanxi Zhongze**”). Upon completion of the Capital Injection, Shanxi Zhongze will be owned as to 51% by Beijing Kaiqiao, as to 24.5% by Zhong Xiang and as to 24.5% by Hu Guosheng respectively. Shanxi Zhongze is a company incorporated in the People’s Republic of China (the “**PRC**”) with limited liability and principally engaged in research and development, manufacturing and selling of castor seeds, manufacturing and selling of castor beans, research and development of technology of biological products, research and development of technology of new technology of castor industry, promotion of technology, application of technology and selling of castor oil.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Completion of the Capital Injection is subject to the fulfillment of the conditions precedent to the Capital Injection Agreement. Further to the extension of the long stop date of the Capital Injection respectively on 29 May 2015, 31 July 2015, 30 September 2015 and 29 October 2015, on 30 November 2015, Beijing Kaiqiao, Zhong Xiang and Hu Guosheng have agreed in writing to further extend the long stop date for the completion of the Capital Injection to 31 December 2015 as additional time is required for fulfillment of the conditions precedent set out in the Capital Injection Agreement. As at the Latest Practicable Date, the Capital Injection had been completed. Further details of the Capital Injection are contained in the announcements of the Company dated 26 January 2015, 29 May 2015, 31 July 2015, 30 September 2015, 29 October 2015 and 30 November 2015.

On 1 December 2015, the Company has entered into a non-legally binding memorandum of understanding (the “**MOU**”) with Mr. Qu Yong Bo, an independent third party, in relation to the possible acquisition (the “**Possible Acquisition**”) of the 100% equity interest in 大慶澳瑞生物能源有限公司 (Daqing AORUI Bioenergy Co., Ltd.\*, “**Daqing AORUI Bioenergy**”), subject to the execution and completion of the formal agreement. Daqing AORUI Bioenergy is incorporated in the PRC with limited liability and principally engaged in research and development of bioenergy.

The aggregate intended consideration for the Possible Acquisition shall be RMB600 million (equivalent to approximately HK\$713 million), subject to adjustment after the valuation of the Daqing AORUI Bioenergy to be conducted by an independent professional valuer. Pursuant to the terms of the MOU, the Company has paid a refundable deposit of RMB30 million (equivalent to approximately HK\$36 million) in cash to Mr. Qu Yong Bo upon signing of the MOU. As at the Latest Practicable Date, no formal agreement has been reached for the Possible Acquisition. Details of the Possible Acquisition are contained in the announcement of the Company dated 1 December 2015.

In view of the funding needs arising from the Possible Acquisition, the Group has carried the following fund raising exercise which has been completed and has utilized the Existing General Mandate. On 28 October 2015, the Company entered into a subscription agreement (the “**October Subscription**”) with Ascent Creations Group Limited, pursuant to which Ascent Creations Group Limited has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 590,000,000 Shares at a price of HK\$0.105 per Share. The 590,000,000 Shares were allotted and issued under the Current Issue Mandate, representing 68.60% of the Current Issue Mandate. On 9 November 2015, the October Subscription was completed following fulfillment of all conditions precedent to the subscription agreement. Details of which were set out in the Company’s announcements dated 28 October 2015 and 9 November 2015.

According to the “Letter from the Board” in this Circular, the net proceeds of approximately HK\$61.95 million from the October Subscription has been used as to (i) approximately HK\$5 million as general working capital of the Company; (ii) approximately HK\$20.95 million for the payment of other payable of the Group; and (iii) HK\$36 million was used to pay as deposit to Mr. Qu Yong Bo for the Possible Acquisition of the entire issued share capital of Daqing AORUI Bioenergy pursuant to the MOU dated 1 December 2015. Notwithstanding

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the application of the proceeds from the October Subscription towards the satisfaction of refundable deposit for the Possible Acquisition of RMB30 million, the Group still requires further funding needs in order to finance the balance of the intended consideration of RMB600 million (subject to valuation).

On 30 November 2015, Rich Summit Enterprises Limited (“**Rich Summit**”), an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement with Europe Asia Global International Trading Limited (“**Europe Asia Global**”) pursuant to which Rich Summit has agreed to sell and Europe Asia Global has agreed to purchase 100% of the issued share capital of Star Hub Investments Limited (the “**Disposal**”) for a consideration of HK\$25 million. According to the announcement of the Company dated 30 November 2015 in relation to the Disposal, it is expected that the Company will record a book loss of approximately HK\$145 million as a result of the Disposal, which represents the difference between the consideration of approximately HK\$25 million and the unaudited consolidated net assets value of Star Hub Investments Limited and its subsidiaries of approximately HK\$169.81 million as at 30 June 2015. The actual loss in connection with the Disposal will be assessed after completion and is subject to audit. The Board intends to apply the net proceeds from the Disposal of approximately HK\$25 million for the general working capital of the Group and invest in potential investment opportunities.

On 8 December 2015, the Company entered into the First Share Subscription Agreement with the First Share Subscriber, pursuant to which the First Share Subscriber has conditionally agreed to subscribe, in cash, for and the Company has conditionally agreed to allot and issue a total of 870,000,000 new Shares at the Subscription Price of HK\$0.115 per Subscription Share in an aggregate amount of HK\$100.05 million. The Company also entered into the Second Share Subscription Agreement with the Second Share Subscriber, pursuant to which the Second Share Subscriber has conditionally agreed to subscribe, in cash, for and the Company has conditionally agreed to allot and issue a total of 870,000,000 new Shares at the Subscription Price of HK\$0.115 per Subscription Share in an aggregate amount of HK\$100.05 million.

On the assumption that all the Subscription Shares are successfully subscribed, the aggregate gross proceeds arising from the Share Subscriptions will be HK\$200.10 million and the aggregate net proceeds arising from the Share Subscriptions, after deduction of expenses, are estimated to be approximately HK\$200.10 million, representing a net issue price of approximately HK\$0.115 per Subscription Share. The net proceeds from the Share Subscriptions will be applied as to (i) approximately HK\$56.95 million for reduction of the Group’s level of debt; and (ii) the remaining net proceeds will be used for funding any future business developments and/or potential investment opportunities, especially in the field of renewable energy (which may include (but are not limited to) further business development of the Group’s newly acquired subsidiary, Shanxi Zhongze, and the Possible Acquisition of the entire issued share capital of Daqing AORUI Bioenergy).

Notwithstanding the aforesaid fund raising exercises and the net proceeds arising from the Disposal, we consider that the Company still requires financial flexibility from time to time to finance the investments and the business development following such investments.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Funding needs with respect to the Group's financial position*

We have analysed, on the other hand, the latest financial position of the Group. Based on the unaudited consolidated statement of financial position as contained in the interim report of the Company for the six months ended 30 June 2015, the Group recorded net current assets of approximately HK\$279.03 million, up from that of HK\$191.29 million as at 31 December 2014. It is noted that the cash and cash equivalents of the Group as at 30 June 2015 amounted to approximately HK\$3.59 million only, while the aggregate amount of bond payable and short term loans under current liabilities amounted to approximately HK\$102.75 million as at 30 June 2015. It is also noted that the Group recorded a loss of approximately HK\$46.21 million for the six months ended 30 June 2015, as compared with a loss of approximately HK\$33.68 million for the prior corresponding period.

On 18 August 2015, the Company and six subscribers namely the National United Resources Holdings Limited (the “**National United Resources**”), Ms. Zhao Wen Jia (趙文佳), Mr. Han Jianguo (韓建國), Mr. Lin Yunfeng (林雲峰), Mr. Xu Bo (徐波) and Mr. Xu Yijia (徐一稼), entered into six separate subscription agreements, pursuant to which the Company conditionally agreed to issue, and the subscribers have conditionally agreed to subscribe for, an aggregate of 630,000,000 new Shares under the Current Issue Mandate at a subscription price of HK\$0.10 per subscription share (the “**August Subscription**”).

The subscription of 220,000,000 new Shares by the National United Resources and 20,000,000 new Shares by Mr. Xu Yijia was completed on 27 August 2015 and the subscription of 30,000,000 new Shares by Ms. Zhao Wen Jia was completed on 14 September 2015. On 30 September 2015, the remaining three subscription agreements, between the Company and three subscribers namely Mr. Han Jianguo (韓建國), Mr. Lin Yunfeng (林雲峰) and Mr. Xu Bo (徐波) respectively, in relation to a total of 360,000,000 new Shares under August Subscription were terminated. Accordingly, the Company has received a net proceeds of approximately HK\$27 million through the August Subscription. Out of these HK\$27 million, approximately HK\$20 million was used by the Company to reduce the Group's level of debt, and approximately HK\$7 million was used for general working capital of the Group. Please refer to the announcements of the Company dated 18 August 2015, 27 August 2015, 14 September 2015, 17 September 2015 and 30 September 2015.

On 8 December 2015, the Company and each of the CB Subscribers entered into the CB Subscription Agreements respectively in respect of the issue of and subscription for the Convertible Bonds. Assuming the Convertible Bonds are successfully subscribed, the gross proceeds of the CB Subscription will be HK\$150 million and the net proceeds of the CB Subscription amount to approximately HK\$150 million. Based on the net proceeds from the CB Subscription, the net subscription price per Conversion Share is estimated to be approximately HK\$0.115. The Company intends to apply the net proceeds of the CB Subscriptions as to (i) HK\$70 million for redeeming the Bond pursuant to the Bond Instrument; and (ii) the remaining net proceeds will be used for funding any future business developments and/or potential investment opportunities, especially in the field of renewable energy. Details of which were set out in the Circular.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As mentioned above, the cash and cash equivalent of the Group as at 30 June 2015 amounted to approximately HK\$3.59 million, while the amount of borrowings amounted to approximately HK\$102.75 million. Taking into account the aforesaid fund raising exercises of the Group to improve its financial position, assuming all the net proceeds are utilised as intended, it is noted that the Group still faces a net debt position.

Considering the funding needs arising from the Capital Injection and the Possible Acquisition as discussed above, we consider that the granting of the Refreshed General Mandate is necessary for the Group to maintain financial flexibility. As at the Latest Practicable Date, the Company had an aggregate of 5,260,190,188 Shares in issue. Subject to the passing of the ordinary resolution approving the granting of the Refreshed General Mandate and on the basis that no further Shares are issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the SGM, the Refreshed General Mandate would allow the Directors to issue, allot and deal with up to 1,052,038,037 new Shares, representing 20% of the total issued share capital of the Company as at the Latest Practicable Date.

Having considered that (i) the Current Issue Mandate is substantially utilised, and it is expected that the next annual general meeting will not take place until May 2016; and (ii) the funding needs arising from the Capital Injection and the Possible Acquisition, we are of the view that the granting of the Refreshed General Mandate would provide the Company with necessary financing flexibility for its potential financing needs for the Capital Injection, the Possible Acquisition and any future investments and business developments as and when they arise in a timely manner, as well as means for improving its working capital position of the Company when necessary, and are therefore of the view that the granting of Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.

### 2. Fund raising activities of the Company during the past twelve months

Set out below is the fund raising activity of the Company during the past twelve months immediately prior to the Latest Practicable Date:

<b>Date of announcement</b>	<b>Transaction</b>	<b>Net proceeds</b>	<b>Intended use of net proceeds</b>	<b>Actual use of net proceeds</b>
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	Approximately 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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Date of announcement	Transaction	Net proceeds	Intended use of net proceeds	Actual use of net proceeds
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	Approximately 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
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	Approximately HK\$17 million	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	Approximately HK\$27 million	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
28 October 2015 and 9 November 2015	Issue of a total of 590,000,000 new Shares at HK\$0.105 each by way of subscription of new Shares	Approximately HK\$61.95 million	(i) approximately HK\$5 million as general working capital of the Company; and (ii) approximately HK\$56.95 million for the Capital Injection into Shanxi Zhongze and/or to finance any potential investment opportunities of the Group that may arise from time and time	(i) Used as intended; (ii) HK\$20.95 million for the payment of other payable of the Group; and HK\$36 million was used to pay as deposit to Mr. Qu Yong Bo for the Possible Acquisition of the entire issued share capital of Daqing AORUI Bioenergy pursuant to the MOU dated 1 December 2015

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Save as disclosed above, 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 Latest Practicable Date.

We have enquired with the Directors regarding the proceeds from the subscription during the past twelve months and were advised that the entire net proceeds have been fully utilised. The Directors consider that the granting of the Refreshed General Mandate is intended to provide financial flexibility to the Company in view of its current funding needs arising from the proposed transactions, and for future investments as and when they arise.

In view of the above, the Board considers the use of general mandate is crucial in a competitive and rapidly changing investment environment and in times of volatile market conditions and the Refreshed General Mandate, which may or may not be utilised, is in the interests of the Company and the Shareholders as a whole.

We concur with the Director's view that the granting of the Refreshed General Mandate is fair and reasonable, and in the interest of the Company and its Shareholders as a whole as it offers the Group the financial flexibility for both current and future funding needs, taking into account the financial position of the Group.

### **3. Other financing alternatives**

As advised by the Company, apart from equity financing, the Group will also consider other financing alternatives such as debt financing and bank borrowings before making any investment decisions. The Group will consider the cost and other terms of the funding before deciding on the means of financing in order to maximum the benefit to the Shareholders. Furthermore, these alternatives may be subject to lengthy due diligence and negotiations. The Group will consider other pre-emptive equity financing methods such as rights issue and open offer as compared with the equity financing under the Refreshed General Mandate, taking into the timing of the funding needs as compared with the time required for carrying a rights issue/open offer, the then market condition, and the interest expressed by and the terms offered by any prospective underwriters in respect of rights issue/open offer, which we consider reasonable factors to take into consideration when deciding the merits of such pre-emptive equity financings. The Directors advised us that they would exercise due and careful consideration when choosing the best method of financing for the Group.

We consider that the granting of the Refreshed General Mandate will provide the Company with an additional financing alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods, among the various means of financing, including but not limited to equity financing either under the Refreshed General Mandate or a specific mandate, pre-emptive equity financing and debt financing, for its future business development and the efficient use of its funds. Based on the above, we are of the view that the granting of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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#### 4. Potential dilution to Independent Shareholders' shareholdings

Set out below is a table showing (i) the shareholding structure of the Company as at the Latest Practicable Date; and (ii) for illustrative purpose, upon full utilisation of the Refreshed General Mandate assuming no new Shares will be issued and/or repurchased by the Company between the Latest Practicable Date and the SGM:

Shareholders	As at the Latest Practicable Date		Immediately upon full utilisation of the Refreshed General Mandate	
	No. of Shares	approximate	No. of Shares	approximate
Xiao Yan (Note 1)	2,273,334	0.04%	2,273,334	0.04%
Qiu Bin (Note 2)	2,408,000	0.05%	2,408,000	0.04%
Ascent Creations Group Limited (Note 3)	590,000,000	11.22%	590,000,000	9.35%
Maximum number of new Shares can be issued pursuant to the Refreshed General Mandate if granted	—	—	1,052,038,037	16.67%
Public Shareholders	4,665,508,854	88.69%	4,665,508,854	73.90%
Total	5,260,190,188	100.00%	6,312,228,225	100.00%

Notes:

- Mr. Xiao Yan is the chief executive officer of the Company and an executive Director.
- Mr. Qiu Bin is an executive Director.
- Mr. Wang Peng (王鵬) (“**Mr. Wang**”) is the legal and beneficial owner of the entire issued share capital of Ascent Creations Group Limited. Hence, Mr. Wang is deemed to be interested in 590,000,000 Shares through the shareholding interest of Ascent Creations Group Limited in the Company.

As illustrated in the table above, assuming no Shares will be issued and/or repurchased by the Company from the Latest Practicable Date to the date of the SGM, 1,052,038,037 new Shares can be issued upon full utilisation of the Refreshed General Mandate, representing 20% of the issued share capital as at the date of SGM, and the aggregate shareholding of the existing public Shareholders will decrease from approximately 88.69% as at the Latest Practicable Date to approximately 73.90% upon full utilisation of the Refreshed General Mandate, representing a potential maximum decrease in shareholding of approximately 14.79%.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account that the granting of the Refreshed General Mandate (i) would allow the Company to raise capital by allotment and issuance of new Shares before the next annual general meeting; (ii) would provide more flexibility and options of financing to the Group for its current and future business development as well as for other potential future investments and/or acquisitions as and when such opportunities arise; (iii) the above flexibility outweigh the dilution effect of the existing Shareholders as the Company is able to respond in a time and effective manner to take advantages of any material investment opportunities for the benefit of the Company and its Shareholders as a whole; (iv) the possible acquisitions engaged by the Group and the timely funding need as a consequence; and (v) the shareholding interests of all Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the Refreshed General Mandate, we are of the opinion that the potential dilution to the shareholdings of the public Shareholders as just mentioned is acceptable.

### RECOMMENDATIONS

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the granting of the Refreshed General Mandate is in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the SGM to approve the granting of the Refreshed General Mandate.

Yours faithfully,  
For and on behalf of  
**Messis Capital Limited**  
**Robert Siu**  
*Managing Director*

*Mr. Robert Siu is a licensed person registered with the SFC and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 15 years of experience in corporate finance industry.*

*\* For identification purposes only*

The biographical and other details of the retiring Directors proposed to be re-elected at the SGM are set out as follows:

**Mr. Gao Yang** (“**Mr. Gao**”), aged 60, was an independent non-executive Director since 9 November 2015 and was re-designated as an executive Director on 18 December 2015. Mr. Gao graduated from 全國法院幹部業餘法律大學 National Judicial Official Amateur Legal University\* (the predecessor of National Judges College), majoring in law. He has extensive legal knowledge and has accumulated rich experience in judgement. Mr. Gao has been worked in the Beijing court system for almost 20 years and has held various positions such as clerk of the court, assistant judge, judge, deputy chief judge of the Criminal Court and chief judge of the Economic Court. He also worked as general manager for several companies during 1991 to 2015.

Save as disclosed above, Mr. Gao did not hold any directorships in any other listed public companies in the last three years and does not hold any other positions with the Company or any other members of the Group.

Pursuant to a service contract dated 6 November 2015 between the Company and Mr. Gao in relation to the appointment of Mr. Gao as the independent non-executive Director, he was entitled to a director fee of HK\$120,000 per annum. The above service contract was terminated upon his re-designation. The Company has entered into a new service contract with Mr. Gao in relation to his appointment as executive Director commencing from 18 December 2015 for an initial term of one year automatically renewable for successive terms of one year each which may be terminated by either party giving not less than three months prior notice. He is subject to retirement at the next following general meeting of the Company after his re-designation and at which he will be eligible for re-election and thereafter subject to retirement by rotation at least once every three years in accordance with the Bye-Laws. The director remuneration of Mr. Gao will be determined with reference to his duties and responsibilities to be decided at a later stage by the Board.

Mr. Gao does not have any relationships with any Directors, senior management or substantial or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He does not have any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements of Rule 17.50(2) of the GEM Listing Rules (particularly in relation to sub-paragraphs (h) to (v) therein) nor are there of any other matters that need to be brought to the attention of the Shareholders in respect of Mr. Gao.

**Mr. Wang Kun (“Mr. Wang”)**, aged 34, was appointed as an executive Director since 22 December 2014 and was re-designated as a non-executive Director on 18 December 2015. Mr. Wang was graduated from China University of Political Science and Law with a bachelor of laws and a master of laws. Mr. Wang was one of the founder members of TOLES Examination Centre in China. He also worked in various sizeable financial institutions including securities companies and banks. Mr. Wang is now a practicing lawyer, providing legal advisory services to various sizeable corporations and listed companies relating to mergers and acquisitions, corporate restructuring, development and issuance of financial products.

Save as disclosed above, Mr. Wang did not hold any directorships in any other listed public companies in the last three years and does not hold any other positions with the Company or any other members of the Group.

The Company has entered into a service contract with Mr. Wang in respect of his appointment as an executive Director and such service contract was terminated upon his re-designation. The Company has entered into a new service contract with Mr. Wang in relation to his appointment as non-executive Director commencing from 18 December 2015 for an initial term of one year automatically renewable for successive terms of one year each which may be terminated by either party giving not less than three months prior notice. He is subject to retirement at the next following general meeting of the Company after his re-designation and at which he will be eligible for re-election and thereafter subject to retirement by rotation at least once every three years in accordance with the Bye-Laws. The director remuneration of Mr. Wang will be determined with reference to his duties and responsibilities to be decided at a later stage by the Board.

Mr. Wang does not have any relationships with any Directors, senior management or substantial or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He does not have any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements of Rule 17.50(2) of the GEM Listing Rules (particularly in relation to sub-paragraphs (h) to (v) therein) nor are there of any other matters that need to be brought to the attention of the Shareholders in respect of Mr. Wang.

**Mr. Chiu Chi Kong (“Mr. Chiu”)**, aged 47, was appointed as an independent non-executive Director with effect from 18 December 2015. He is a practicing solicitor in Hong Kong. Mr. Chiu has extensive experience in corporate finance and compliance matters for listed companies in Hong Kong. He is a member of Changchun Committee of The Chinese People’s Political Consultative Conference in Jilin, the PRC, an executive council member of The Hong Kong Independent Non-executive Director Association, a China Appointed Attesting Officer appointed by the Ministry of Justice of the PRC and an accredited mediator of Hong Kong International Arbitration Centre. Since September 2011, Mr. Chiu has been served as an independent non-executive director of Chanceton Financial Group Limited (stock code: 8020), whose shares are listed on GEM. He was also an independent non-executive director of China Regenerative Medicine International Limited (stock code: 8158), whose shares are listed on GEM, for the period from September 2012 to March 2014.

Save as disclosed above, Mr. Chiu did not hold any directorships in any other listed public companies in the last three years and does not hold any other positions with the Company or any other members of the Group.

Mr. Chiu has entered into a service contract with the Company for an initial term of one year commencing from 18 December 2015, which is automatically renewable for successive terms of one year each which may be terminated by either party giving not less than three months prior notice. He is subject to retirement at the next following general meeting of the Company and at which he will be eligible for re-election and thereafter subject to retirement by rotation at least once every three years in accordance with the Bye-Laws. Pursuant to the terms of the service contract between the Company and Mr. Chiu, he is entitled to a director fee of HK\$200,000 per annum which is determined by the Board by reference to his experience, duties and responsibilities, the prevailing market conditions and the recommendation from the remuneration committee of the Company.

Mr. Chiu does not have any relationships with any Directors, senior management or substantial or controlling shareholders (as respectively defined in the GEM Listing Rules) of the Company. He does not have any interests in the Shares within the meaning of Part XV of the SFO as at the Latest Practicable Date.

Save as disclosed above, there is no other information to be disclosed pursuant to any of the requirements of Rule 17.50(2) of the GEM Listing Rules (particularly in relation to sub-paragraphs (h) to (v) therein) nor are there of any other matters that need to be brought to the attention of the Shareholders in respect of Mr. Chiu.

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## NOTICE OF SGM

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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)

**NOTICE IS HEREBY GIVEN** that a special general meeting (the “**Meeting**” or “**SGM**”) of Heng Xin China Holdings Limited (the “**Company**”) will be held at Unit 2, 24/F., Harcourt House, 39 Gloucester Road, Wanchai, Hong Kong on Thursday, 28 January 2016 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT**

- (a) the conditional subscription agreement (the “**First CB Subscription Agreement**”) dated 8 December 2015 (a copy of the First CB Subscription Agreement has been produced to the Meeting marked “A” and initialled by the chairman of the Meeting for the purpose of identification), and entered into between the Company as issuer and National United Resources Holdings Limited as subscriber in relation to the subscription for the Convertible Bonds (as defined in the circular of the Company dated 12 January 2016) in the principal amount of HK\$100,000,000 (the “**First Convertible Bonds**”), which entitles the holder(s) thereof to convert the same into shares (the “**Shares**”) of HK\$0.01 each in the share capital of the Company in accordance with the terms of the First Convertible Bonds at the initial conversion price of HK\$0.115 (subject to adjustment) per Share, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the First Convertible Bonds in accordance with the terms and conditions of the First CB Subscription Agreement and the transactions contemplated thereunder be and is hereby approved;
- (c) conditional upon, among others, the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in, the new Shares (the “**Conversion Shares**”) among others, the conversion rights attaching to the First Convertible Bonds, the allotment and issue of the Conversion Shares to the relevant holder(s) of the First Convertible Bonds be and are hereby approved and the directors of the Company (the “**Directors**”) be and are hereby granted with a specific mandate to allot and issue the Conversion Shares to the relevant holder(s) of the First Convertible Bonds in accordance with the terms of the First Convertible Bonds; and

*\* for identification purpose only*

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## NOTICE OF SGM

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- (d) any Director be and is hereby authorised to do all such things and acts as he may in his discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the First CB Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company), as he considers necessary or expedient in his opinion to implement and/or give effect to the issue of the First Convertible Bonds, and the allotment and issue of Conversion Share(s) of which may fall to be issued upon exercise of the conversion rights attaching to the First Convertible Bonds and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

2. “**THAT**

- (a) the conditional subscription agreement (the “**Second CB Subscription Agreement**”) dated 8 December 2015 (a copy of the Second CB Subscription Agreement has been produced to the Meeting marked “B” and initialled by the chairman of the Meeting for the purpose of identification), and entered into between the Company as issuer and Sino King Trading (HK) Co., Limited as subscriber in relation to the subscription for the Convertible Bonds (as defined in the circular of the Company dated 12 January 2016) in the principal amount of HK\$50,000,000 (the “**Second Convertible Bonds**”), which entitles the holder(s) thereof to convert the same into Shares in accordance with the terms of the Second Convertible Bonds at the initial conversion price of HK\$0.115 (subject to adjustment) per Share, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the issue of the Second Convertible Bonds in accordance with the terms and conditions of the Second CB Subscription Agreement and the transactions contemplated thereunder be and is hereby approved;
- (c) conditional upon, among others, the GEM Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in, the Conversion Shares among others, the conversion rights attaching to the Second Convertible Bonds, the allotment and issue of the Conversion Shares to the relevant holder(s) of the Second Convertible Bonds be and are hereby approved and the Directors be and are hereby granted with a specific mandate to allot and issue the Conversion Shares to the relevant holder(s) of the Second Convertible Bonds in accordance with the terms of the Second Convertible Bonds; and

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## NOTICE OF SGM

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- (d) any Director be and is hereby authorised to do all such things and acts as he may in his discretion consider as necessary, expedient or desirable for the purpose of or in connection with the implementation of the Second CB Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution all such documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company), as he considers necessary or expedient in his opinion to implement and/or give effect to the issue of the Second Convertible Bonds, and the allotment and issue of Conversion Share(s) of which may fall to be issued upon exercise of the conversion rights attaching to the Second Convertible Bonds and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

### 3. “THAT

- (a) the conditional subscription agreement (the “**First Share Subscription Agreement**”) dated 8 December 2015 (a copy of the First Share Subscription Agreement has been produced to the Meeting marked “C” and initialled by the chairman of the Meeting for the purpose of identification), and entered into between the Company and Mr. Lim Tong Yong (the “**First Share Subscriber**”), in relation to the subscription for 870,000,000 new Shares (the “**First Subscription Shares**”) at the subscription price of HK\$0.115 per First Subscription Share by the First Share Subscriber, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfilment of the conditions of the First Share Subscription Agreement, any Director be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his opinion be desirable or necessary in connection with the First Share Subscription Agreement, including but without limitation, to allot and issue the First Subscription Shares to the First Share Subscriber in accordance with and subject to the terms and conditions of the First Share Subscription Agreement; and
- (c) any Director be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as he may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the First Share Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”



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## NOTICE OF SGM

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4. “**THAT**

- (a) the conditional subscription agreement (the “**Second Share Subscription Agreement**”) dated 8 December 2015 (a copy of the Second Share Subscription Agreement has been produced to the Meeting marked “D” and initialled by the chairman of the Meeting for the purpose of identification), and entered into between the Company and Sino Perfect Investments Limited (the “**Second Share Subscriber**”), in relation to the subscription for 870,000,000 new Shares (the “**Second Subscription Shares**”) at the subscription price of HK\$0.115 per Second Subscription Share by the Second Share Subscriber, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to the fulfilment of the conditions of the Second Share Subscription Agreement, any Director be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his opinion be desirable or necessary in connection with the Second Share Subscription Agreement, including but without limitation, to allot and issue the Second Subscription Shares to the Second Share Subscriber in accordance with and subject to the terms and conditions of the Second Share Subscription Agreement; and
- (c) any Director be and is hereby authorised to do such acts and things, to sign and execute all such further documents (in case of execution of documents under seal, to do so by any two Directors or any Director together with the secretary of the Company) and to take such steps as he may consider necessary, appropriate, desirable or expedient to give effect to or in connection with the Second Share Subscription Agreement or any transactions contemplated thereunder and all other matters incidental thereto or in connection therewith, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith.”

5. “**THAT**

- (a) the general mandate granted to the Directors to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 15 May 2015 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to the following provisions of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional Shares, and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

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## NOTICE OF SGM

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- (c) the approval in paragraph (b) of this resolution shall authorise the Directors during the Relevant Period (as defined below) to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period (as defined below);
- (d) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of the conversion rights attaching to any convertible securities issued by the Company; (iii) the exercise of warrants to subscribe for Shares; (iv) the exercise of options granted under any share option scheme or similar arrangement for the time being adopted by the Company; or (v) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the bye-laws of the Company (“**Bye-laws**”); shall not exceed 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and
- (e) for the purpose of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws or any applicable laws of Bermuda to be held; or
- (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of Shares open for a period fixed by the Directors to the holders of Shares or any class of Shares whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

- 6. “**THAT** Mr. Gao Yang be re-elected as an executive director of the Company.”
- 7. “**THAT** Mr. Wang Kun be re-elected as a non-executive director of the Company.”

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## NOTICE OF SGM

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8. “**THAT** Mr. Chiu Chi Kong be re-elected as an independent non-executive director of the Company.”

Yours faithfully,  
By Order of the Board  
**HENG XIN CHINA HOLDINGS LIMITED**  
**Xiao Yan**  
*Chief Executive Officer*

Hong Kong, 12 January 2016

*Registered Office:*  
Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal place of  
business in Hong Kong:*  
Unit 2, 24/F., Harcourt House  
39 Gloucester Road  
Wanchai  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or, if he is the holder of two or more Shares, more proxy to attend and, subject to the provisions of the Bye-laws, to vote on his/her behalf. A proxy need not be a member of the Company, but must be present in person at the SGM to represent the member.
2. In the case of joint holders of Shares, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.
3. In order to be valid, the form of proxy (if required by the Directors), the power of attorney or other authority (if any), under which it is signed, or a certified copy of such power or authority must be deposited with the Company's branch share registrar in Hong Kong, Union Registrars Limited, at A18/F., Asia Orient Tower, Town Place, 33 Lockhart Road, Wanchai, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding the Meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Meeting or any adjournment thereof should you so wish.
4. As at the date of this notice, the board of Directors consists of Mr. Xiao Yan (Chief Executive Officer), Mr. Li Tao, Mr. Qiu Bin, Mr. Li Nan, Mr. Gao Yang and Mr. Yu Bun as executive Directors; Mr. Wang Kun as non-executive Director; Mr. Leung Wo Ping *JP*, Mr. Hu Dingdong, Mr. Lei Yong and Mr. Chiu Chi Kong as independent non-executive Directors.