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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)

PROPOSED GRANT OF THE EQUITY LINE OF CREDIT TO THE COMPANY AND PROPOSED ISSUE OF NEW SHARES UNDER SPECIFIC MANDATE

THE AGREEMENT

On 29 December 2010, the Company entered into the Agreement with the Investor, GEMML and the Share Lender, pursuant to which the Company (1) is granted the Option to require the Investor to subscribe for up to HK\$400 million worth of Shares structured under the Equity Line of Credit; and (2) has agreed to issue to the Investor or to its order the Warrants.

SHARE SUBSCRIPTION OPTION

The Option is granted by the Investor to the Company whereby the Company may, at its option from time to time during the Commitment Period, exercise the Option by issuing multiple Drawdown Notices requiring the Investor to subscribe for the Shares under the Equity Line of Credit.

The exercise of the Option by the Company, the obligation of the Investor to subscribe for the Option Shares and the obligation of the Company to issue the Warrants pursuant to the Agreement are conditional upon the Conditions Precedent as set out under the paragraph headed "Conditions Precedent to the Agreement" below.

* For identification purposes only

WARRANTS

Under the Agreement, the Company has agreed, on the third Business Day after the day on which the Conditions Precedent are satisfied, to issue to the Investor or to its order the Warrants. The Warrants carry the rights to subscribe for up to a total of 95 million Warrant Shares at the Warrant Exercise Price at any time on or after the first anniversary of the date of grant of the Warrants to the fifth anniversary of the date of grant of the Warrants.

No listing of the Warrants on the Stock Exchange or any other stock exchanges will be sought.

MANDATE TO ISSUE THE OPTION SHARES AND THE WARRANT SHARES

The Company will allot and issue the Option Shares and the Warrants Shares under the Specific Mandate to be sought at the SGM.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, to approve (i) the Agreement and the transaction contemplated thereunder; and (ii) the grant of the Specific Mandate.

A circular containing, among other things, (i) further details of the Agreement and the transaction contemplated thereunder; (ii) the grant of the Specific Mandate; and (iii) a notice convening the SGM will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules.

Applications will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Option Shares and the Warrant Shares.

Completion of the Agreement is subject to the satisfaction of the Conditions Precedent as set out under the paragraph headed “Conditions Precedent to the Agreement” below. As the Agreement may or may not proceed, potential investors are advised to exercise caution when dealing in the Shares.

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Parties

Issuer:	The Company
Investor:	GEM Global Yield Fund Limited
Other:	GEM Management Limited
Share Lender:	Team Effort Investments Limited

To the best of the knowledge, information and belief of the Directors having made all reasonably enquiry, the Investor, GEMML and their respective ultimate beneficial owners are Independent Third Parties. GEMML is the investment adviser to the Investor. Based on the information provided by GEMML and the Investor, GEMML, its affiliated companies and the Investor comprise the GEM Group which is a privately held US-based equity investment group that was founded in 1991. The GEM Group is an alternative investment group that manages a diverse set of investment vehicles across the world.

As at the date of this announcement, the Share Lender was interested in 208,049,996 Shares and it held convertible notes issued by the Company and such convertible notes carry the rights to subscribe for 412,640,455 Shares upon conversion (based on the conversion price of HK\$0.329). The Share Lender is wholly owned by Mr. Choi Chung Lam and it is an investment holding company. To facilitate the subscription for the Option Shares by the Investor under the Agreement, the Share Lender agrees to lend Shares according to the terms of the Share Lending Agreement.

Equity Line of Credit and Option granted to the Company

Under the Agreement, the Company has been granted the Equity Line of Credit and the Option, pursuant to which the Company may require the Investor to subscribe for up to an aggregate of HK\$400 million in value (i.e. the Total Commitment) of Option Shares during the Commitment Period, subject to the terms and conditions of the Agreement.

Set out below are details of the Option:

Term: The Option is exercisable by the Company during the Commitment Period, being the period commencing on (and including) the date when the Company has first satisfied or fulfilled the Conditions Precedent and the Warrants have been issued to the Investor pursuant to the Agreement and expiring upon the earlier of (i) the third anniversary of the date of such date, and (ii) the date on which the aggregate of the Purchase Price paid by or by order of the Investor for subscription for the Option Shares under the Agreement (but excluding any Share purchased under any Warrant) equals the Total Commitment (i.e. HK\$400 million).

The Company may exercise the Option by issuing multiple Drawdown Notices during the Commitment Period provided that it may not, without the prior written consent of the Investor, deliver a Draw Down Notice until (i) the expiry of the Pricing Period relating to any Drawdown Notice previously issued by the Company and (ii) the Shares specified in the relevant Closing Notice have been Listed and become Tradable.

Subscription Price per Option Share: With regard to any Pricing Period, the Subscription Price per Option Share shall be 90% of the average of the Closing Trade Prices during such period, provided that the Closing Trade Price per Share of any Knockout Day and the Knockout Day shall be excluded from the calculation of relevant Subscription Price per Option Share. In addition, the Subscription Price per Option Share shall not be lower than the Threshold Price (subject to a minimum of HK\$1.30 per Option Share (unless otherwise agreed by the Company and the Investor), as adjusted by any subdivision, combination or otherwise as set out in the Agreement) set by the Company in the relevant Drawdown Notice.

The minimum Threshold Price of HK\$1.30 per Option Share represents:

- (i) a discount of approximately 7.14% to the closing price per Share of HK\$1.40 as quoted on the Stock Exchange on the date of the Agreement;
- (ii) a discount of approximately 10.96% to the average closing prices of HK\$1.46 per Share as quoted on the Stock Exchange for the last five trading days ended on and including the Last Trading Day;
- (iii) a discount of approximately 15.58% to the average closing prices of 1.54 per Share as quoted on the Stock Exchange for the last ten trading days ended on and including the Last Trading Day; and
- (iv) a premium of approximately 129.28% to the audited net asset value per Share of approximately HK\$0.567 as at 30 June 2010 based on the number of issued Shares as at the Last Trading Day.

Option Shares:

The Company shall exercise any part of the Option by serving a Drawdown Notice and specifying the Proposed Number of Option Shares thereunder. The Investor shall respond to any Drawdown Notice by delivering a Closing Notice, which shall set out, inter alia, the Final Number of Option Shares to be subscribed by, and allotted and issued to, the Investor or any other subscriber(s) procured by it on the Closing Date.

Based on the Total Commitment (i.e. HK\$400 million) and the minimum Threshold Price of HK\$1.30 per Option Share (subject to adjustment following subdivision or combination of the issued Shares, if any provided under the Agreement), up to a total of 307,692,307 Option Shares will be allotted and issued upon the full exercise of the Option, representing approximately 16.05% of the existing issued Shares or approximately 13.83% of the issued share capital of the Company as enlarged by the issue and allotment of such 307,692,307 Option Shares.

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Option Shares.

Commitment Fee
and expenses

Subject to the fulfillment of the Conditions Precedent, the Company shall pay on the third Business Day immediately after the day on which the Conditions Precedent are satisfied, by issuing to GEMML a promissory note, the Commitment Fee. The Commitment Fee shall be paid by the Company to GEMML within 48 hours of the Company's receipt of the Purchase Price under the first Closing Notice provided that the Company shall not be obliged to pay an amount on account of the Commitment Fee exceeding 20% of the total Purchase Price paid during the first 12 months from the date of the Agreement. Any remaining balance of the Commitment Fee shall be paid on the first anniversary of the date of the Agreement. If no Closing Notice has been issued on or before the first anniversary of the date of the Agreement, the Commitment Fee shall be paid in full on the first anniversary of the date of the Agreement.

The Company, shall on or before the date of the Agreement, irrespective of whether transactions contemplated under the Agreement is successfully completed, pay the Investor or as it directs an aggregate of non-refundable sum up to a maximum of US\$40,000 against legal and expenses incurred by the Investor and GEMML as a result of the transaction contemplated under the Agreement. As at the date of the Agreement, the Company has paid US\$40,000 against such legal and expenses incurred by the Investor.

In consideration of the Share Lender agreeing to enter into the Share Lending Agreement to facilitate the subscription for the Option Shares by the Investor under the Agreement, the Company agrees with the Share Lender that all costs, fees and expenses incurred by the Share Lender in connection with the Agreement, the Share Lending Agreement and transactions contemplated under such agreements shall be borne by the Company and that the Company shall reimburse the Share Lender for all damages payable by the Share Lender under the Share Lending Agreement which may arise as a result of the default of the Company.

Undertakings by the Investor
under the Agreement

Pursuant to the Agreement, the Investor undertakes that it shall not:

- (i) on each Trading Day during the Pricing Period, dispose or procure to be disposed through the Stock Exchange of any number of Shares over and above one fifteenth (1/15) of the applicable Proposed Number of Option Shares, provided that where the Investor has disposed or procured to be disposed of Shares on a Trading Day which number is less than one-fifteenth (1/15) of the applicable Proposed Number of Option Shares, the Investor may dispose or procure to be disposed of the remaining balance for that Trading Day on any subsequent Trading Day during and/or after the Pricing Period; and
- (ii) effect or procure to be effected any short selling, as prohibited by Section 170 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), of any Shares and it shall, in respect of the Shares, comply with all applicable laws and regulations of Hong Kong including but not limited to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); and
- (iii) at any point in time hold directly or indirectly in excess of 9.9% in aggregate of the total issued share capital of the Company from time to time and in the calculation of such shareholding interest, the number of shares to be allotted and issued upon the exercise of the conversion rights attached to the Warrants held by the relevant person or to be subscribed pursuant to a Drawdown Notice shall not be taken into account.

Undertakings by the Company
under the Agreement

- (A) The Company undertakes that at any time during the period starting from the issuance by the Company of the Drawdown Notice and ending on the day when all of the relevant Shares required to be subscribed under the corresponding Closing Notice are issued to the Investor or to the Investor's order, (as the case may be) and Listed and Tradable, pursuant to the terms of the Agreement it shall not and shall procure that the Directors shall not:
- (i) pay any cash dividends or make any other rights or distributions with respect to any Shares;
 - (ii) propose or declare the payment of any cash dividends or the granting of any other rights or the making of any other distributions in respect of the Shares to a shareholders' meeting of the Company;
 - (iii) set any record date for the payment of any cash dividends or the granting of any other rights or the making of any other distributions in respect of the Shares; or
- (B) The Company undertakes that at any time during the period commencing from fifteen (15) consecutive days immediately preceding the date on which the Company intends to serve a Drawdown Notice and the last Trading Day of the Pricing Period (both dates inclusive), it shall not and shall procure that its directors shall not do any act or pass any resolution approving any (i) capitalization, (ii) issue of scrip dividend or (iii) issue of new shares other than for arm's length consideration or in respect of the exercise of any options under any share option schemes or conversion rights attached to any convertible securities issued by the Company.
- (C) The Company undertakes to the Investor that during the term of the Agreement, neither the Company nor any of the Company's subsidiaries shall, take any action which would be reasonably expected to result in the de-listing or suspension (save only temporarily for the purposes of release of an announcement and for periods of not more than twenty (20) consecutive Trading Days) of Trading of the Shares on the Stock Exchange.

Indemnity given by the Company
under the Agreement

(A) Without prejudice to any other rights or remedies which the Investor may have against the Company, in the event that (A) the Company fails to deliver the Subscription Shares, Listed and freely Tradable pursuant to the terms of the Agreement and free from all encumbrances and together with all rights of any nature whatsoever now or hereafter attaching or accruing to them including all rights to any dividends or other distribution declared, paid or made in respect of them after the Drawdown Notice Date (other than those dividends or distribution the record date for which falls a day prior to the Drawdown Notice Date), required to be delivered to the Investor or to the Investor's order under the relevant Closing Notice; or (B) Trading of the Shares becomes suspended for all or part of the Closing Date or in the five (5) consecutive Trading Days immediately following the applicable Closing Date; the Company undertakes to indemnify the Investor and any person acting by order of the Investor on a full indemnity basis from and against:

- (a) all costs and losses incurred by the Investor or any person acting by order of the Investor as a result of any such failure, including, without prejudice to the generality of the foregoing, all costs and losses incurred by the Investor as a result of its decision to "unwind", rescind or otherwise terminate any or all sales of the Shares by the Investor which have been made by the Investor in contemplation of receiving the number of Listed and Tradable Shares set forth in the relevant Closing Notice on the applicable dates in accordance with the terms of the Agreement arising from or in relation to such default or failure on the part of the Company; and
- (b) all liabilities which the Investor or any person acting by order of the Investor may incur, including but not limited to the liabilities incurred to any third party, as a result of it not being able to complete any such sale of Shares referred to in (a) above, including, without limitation, any liability to reimburse any purchaser of such Shares for the acquisition costs and any other costs incurred by such purchaser.

- (B) The Company shall satisfy its indemnity obligations under (A) above by making the following payments (the “Indemnity Amount”) to the Investor:
- (a) for each Trading Day or part of a Trading Day, and up to a maximum of five (5) Trading Days, following the relevant dates on which the Company shall have failed to deliver or procure the delivery of the required Shares, Listed and freely Tradable, pursuant to the terms of the Agreement and free from all encumbrances and together with all rights of any nature whatsoever now or hereafter attaching or accruing to them including all rights to any dividends or other distribution declared, paid or made in respect of them after the Drawdown Notice Date, to the Investor or to the Investor’s order pursuant to any Closing Notice, an amount equal to two per cent (2%) of the Purchase Price in respect of those Shares which the Company failed to deliver or procure to be delivered as required and/or failed to procure to be Listed and/or be freely Tradable (as the case may be); and
 - (b) if the Company shall fail to deliver or procure to be delivered the required Shares, Listed and freely Tradable, free from all encumbrances and together with all rights of any nature whatsoever now or hereafter attaching or accruing to them including all rights to any dividends or other distribution declared, paid or made in respect of them after the Drawdown Notice Date, by the opening of Trading on the sixth (6th) Trading Day immediately following any Closing Date, a further amount which equals to the actual losses and liabilities (as referred to (A) above) incurred or suffered by the Investor or any person acting by order of the Investor; provided that the aggregate liability of the Company under this subparagraph (b) shall not exceed the Purchase Price of the Shares which the Company has failed to deliver as required under the Agreement; and
 - (c) if Trading of the Shares is suspended for all or part of the Closing Date, or in the five (5) Trading Days following the Closing Date an amount which equals to the actual losses and liabilities (as referred to (A) above) incurred or suffered by the Investor; provided that the aggregate liability of the Company under this subparagraph (c) shall not exceed the Purchase Price of the Shares transferred under the applicable Closing Notice.

- (C) Without prejudice to any other rights or remedies which it may have against the Company, in the event that any of the Subscription Conditions (i), (ii), (vi) to (xii) set out in the paragraph headed “Subscription Conditions for each Drawdown” below has not been satisfied due to the default on the part of the Company (or, where permitted, waived by the Investor in writing) on the last Trading Day of the relevant Pricing Period with respect to the relevant Drawdown Notice, the Investor shall be entitled to (i) elect, by notice to the Company, not to proceed with satisfying its obligations under the Agreement and treat the relevant Drawdown Notice issued by the Company as null and void without prejudice to other provisions of the Agreement; and (ii) damages in respect of costs and expenses reasonably incurred or suffered by the Investor as a result of the non-fulfillment of the relevant Subscription Condition, provided that the aggregate liability of the Company under this paragraph shall not exceed 2% of the product of (aa) the Proposed Number of Option Shares specified in the relevant Drawdown Notice and (bb) the Subscription Price which would otherwise have been applicable if the above conditions had been duly satisfied.
- (D) Without prejudice and in addition to any other rights or remedies which it may have against the Company, the Investor may but shall not be obliged to, by notice to the Company, terminate the Agreement if two or more Drawdown Notices issued by the Company pursuant to the Agreement have been treated as null and void by the Investor pursuant to paragraph (C) above. Upon such termination notice being given pursuant to this paragraph, the obligation of the Investor under the Agreement shall terminate and be of no further effect, but, without prejudice to any claims available to any party to the Agreement in respect of any prior breaches in the performance of the parties’ respective obligations under the Agreement.

Warrants

Under the Agreement, the Company has agreed to issue to the Investor or to its order the Warrants represented by a certificate of Warrants on the third Business Days immediately after the day on which the Conditions Precedent are satisfied. Set out below are details of the Warrants:

- Exercise period: The Warrants carry the rights to subscribe for up to a total of 95 million Warrant Shares at the Warrant Exercise Price at any time on or after the first anniversary of the date of grant of the Warrants to the fifth anniversary of the date of grant of the Warrants.
- Warrant Exercise Price: The Warrant Exercise Price of HK\$2.00 per Warrant Share (subject to adjustments) represents:
- (i) a premium of approximately 42.86% over the closing price per Share of HK\$1.40 as quoted on the Stock Exchange on the date of the Agreement;

- (ii) a premium of approximately 36.99% over the average closing prices of 1.46 per Share as quoted on the Stock Exchange for the last five trading days ended on and including the Last Trading Day;
- (iii) a premium of approximately 29.87% over the average closing prices of 1.54 per Share as quoted on the Stock Exchange for the last ten trading days ended on and including the Last Trading Day; and
- (iv) a premium of approximately 252.73% to the audited net asset value per Share of approximately HK\$0.567 as at 30 June 2010 based on the number of issued Shares as at the Last Trading Day.

The Warrant Exercise Price shall be adjusted based on the prescribed formula as set out in the Warrants Conditions upon subdivision or combination of Shares.

Warrant Shares:

The 95 million Warrant Shares represent approximately 4.96% of the existing issued Shares or approximately 4.72% of the issued share capital of the Company as enlarged by the allotment and issue of such 95 million Warrant Shares. Upon receiving a notice of exercise of any Warrant, relevant Warrant Shares will be allotted and issued by the Company no later than the third Trading Day thereafter.

Ranking:

Each Warrant shall be issued in registered form. The Company shall be entitled to treat the registered holder of the relevant Warrant as the absolute owner thereof. Each Warrant will rank *pari passu* in all respects among themselves.

The Warrant Shares, when allotted and issued, will rank *pari passu* with fully paid Shares in issue on the relevant date of exercise of the Warrant(s), and shall entitle the holders of the Warrant Shares to participate in all dividends or other distributions declared, paid or made on or after the relevant exercise date unless adjustment therefore has been made as provided in the Warrant Conditions.

Transferability:

Each Warrant shall be transferable.

Listing:

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Warrant Shares. No application will be made to the Stock Exchange or any other stock exchanges for the listing of, and permission to deal in, the Warrants.

Conditions Precedent to the Agreement

The Option of the Company to require the Investor to subscribe Shares and the obligation of the Company to issue the Warrants to the Investor are conditional upon the following Conditions Precedent:

- (a) the Company having obtained the approval of its Shareholders at Shareholders' Meeting to the Agreement and the transactions contemplated in the Agreement (including but not limited to the issue of the Warrants) and the grant of the Specific Mandate;
- (b) compliance by the Company of all applicable laws, rules and regulations in Hong Kong and Bermuda, including but not limited to, the GEM Listing Rules for the entering into of the Agreement, the issue of the Warrants and all the other transactions contemplated thereunder;
- (c) the Stock Exchange having granted (subject to allotment) the Listing of, and permission to deal in, the Option Shares and the Warrant Shares.

If the above Conditions Precedent shall not have been satisfied or fulfilled within eighty (80) days from the date of the Agreement (or such later date as the Investor and the Company may agree in writing), the Agreement shall be terminated and shall cease to have any further effect and no party to the Agreement shall have any claim under the Agreement against the other Party save in respect of any antecedent breach, provided that the Company shall pay the Investor's and GEMML's fees and expenses in accordance with the terms of the Agreement. For the avoidance of doubt, the Company shall not be required to pay the Commitment Fee to GEMML if the Conditions Precedent above shall not have been fulfilled or fulfilled with the period mentioned.

Conditions precedent to the delivery of a Drawdown Notice

The Company may deliver a Drawdown Notice only if the following conditions have been satisfied (or waived by the Investor in writing):

- (a) the Company shall have obtained all the Required Approvals and such Required Approvals shall be in full force and effect such that at least Shares equal to the sum of (i) two hundred per cent. (200%) of the relevant Proposed Number of Option Shares set forth in the relevant Drawdown Notice, and (ii) the Shares issuable on the exercise of the Warrants may be duly allotted and issued to the Investor; and (subject only to issue and allotment) will be Listed and Tradable (without limitation);
- (b) the Company shall at each applicable Drawdown Notice Date, and shall thereafter during each applicable Pricing Period and up to the Listing of Shares as may be specified in the corresponding Closing Notice, have maintained a reserve of authorised and unissued Shares adequate for (i) allotting and issuing the Shares specified in a Closing Notice in respect of the applicable Drawdown Notice, and (ii) allotting and issuing the Shares issuable by the Company upon exercise of the Warrants to or to the order of the Investor pursuant to the Agreement;
- (c) the representations and warranties of the Company contained in the Agreement shall be true and correct in all material respects as at the date made and as at the relevant Drawdown Notice Date as repeated at that time (except that representations and warranties that are expressed by their terms to be made as at a specific date need to be true and correct in all material respects only as at such specific date);

- (d) the Company shall have performed, satisfied and complied with all covenants, agreements, conditions and obligations required by the Agreement to be performed, satisfied or complied with by the Company at or prior to the applicable Drawdown Notice Date;
- (e) Listing or Trading of the Shares shall not have been suspended or threatened to be suspended by the Stock Exchange at any time during the thirty (30) consecutive Trading Days prior to the relevant Drawdown Notice Date (save and except for any suspension for the purpose of consummation or further reporting requirements/disclosure of any transaction under the Agreement or for a period of not more than twenty (20) consecutive Trading Days in aggregate) in the relevant period;
- (f) the delivery of the Drawdown Notice and the subscription and payment for the Shares under the Agreement and/or upon exercise of any Warrant: (i) shall not be prohibited or enjoined (temporarily or permanently) by any applicable law or governmental or other regulation to which the parties to the Agreement are subject; and (ii) shall not subject the Investor to any penalty, or in the Investor's reasonable judgment, other onerous condition and/or obligations under or pursuant to any applicable law or governmental or other regulation to which the Investor is subject;
- (g) no event or circumstance has arisen or is threatening to arise which would entitle the Investor to terminate the Agreement in accordance with the Agreement;
- (h) the Company shall deliver to the Investor a legal opinion addressed jointly to the Investor and GEMML from each of (i) a competent and experienced Bermudan legal counsel of the Company and (ii) a competent and experienced Hong Kong legal counsel of the Company, in relation to the Agreement and transactions contemplated thereunder pursuant to the Agreement;
- (i) the Share Lender and the Investor having entered into the Share Lending Agreement and the Investor has not given a notice to the Company on or before the applicable Drawdown Notice Date that either (i) the Share Lender has failed to duly perform its obligations pursuant to the terms of the Share Lending Agreement, or (ii) the Share Lending Agreement has been terminated.

Subscription Conditions for each Drawdown

The obligations of the Investor to subscribe for the number of Shares set out in the relevant Closing Notice is subject to and conditional upon the following Subscription Conditions:

- (i) the Company has obtained all the Required Approvals and such Required Approvals shall be in full force and effect as at the Closing Date;
- (ii) the subscription and payment for the Shares pursuant to the relevant Closing Notice not being prohibited or enjoined (temporarily or permanently) by any applicable law or governmental or other regulation to which the Investor and/or the Company are subject (other than by reason of the Investor's own breach of its representations, warranties and/or undertakings under the Agreement, or the default of the Investor);
- (iii) there being no change during the period between the date of the Agreement and on the applicable Closing Date, in any law, governmental or other regulation applicable in Hong Kong which would adversely affect in any material aspect the holding or disposal of Shares by or by order of the Investor or any other rights of the Investor or any person acting by order of the Investor in respect of these Shares;
- (iv) there being no law and/or governmental or other regulation in Hong Kong on the applicable Closing Date which would require the Investor and/or any person acting by the Investor's order to make a mandatory offer for all the issued Shares and other securities of the Company;

- (v) there being no law or governmental or other regulation applicable in Hong Kong on the applicable Closing Date which would require the Investor and/or any person acting by order of the Investor to comply with prospectus registration requirements in Hong Kong;
- (vi) the Company shall at each applicable Closing Date have maintained an adequate reserve of authorised and unissued Shares for the purpose of allotting and issuing the Shares pursuant to the relevant Closing Notice and upon exercise of any Warrant issued (assuming the Warrants are exercised in full) to or to the order of the Investor on the relevant Closing Date pursuant to the Agreement;
- (vii) the representations and warranties of the Company contained in the Agreement remaining to be true and correct in all material respects as at the date made and as at the relevant Closing Date as repeated at that time (except that representations and warranties that are expressed by their terms to be made as at a specific date need to be true and correct in all material respects only as at such specific date);
- (viii) the Company having performed, satisfied and complied in all material respects with all covenants, agreements and conditions required by the Agreement to be performed, satisfied or complied with by the Company at or prior to the applicable Closing Date;
- (ix) no event or circumstance having arisen or being threatening to arise which would entitle the Investor to terminate the Agreement in accordance with the Agreement;
- (x) the Investor has not given a notice to the Company on or before the applicable Closing Date that either (i) the Share Lender had failed to duly perform its obligations pursuant to the terms of the Share Lending Agreement, or (ii) the Share Lending Agreement has been terminated;
- (xi) the Shares subscribed under the relevant Closing Notice shall be Listed on the relevant Closing Date; and
- (xii) the Listing and Trading of the issued Shares are not suspended or subject to a real or imminent threat of suspension by the Stock Exchange on the Closing Date.

Termination of the Agreement

The Agreement may be terminated at any time during the Commitment Period by the mutual consent of the Company and the Investor. The Agreement may be terminated during the Commitment Period by the Investor by giving written notice of such termination to the Company if:

- (a) the Company has breached in any material respect any representation, warranty, covenant or material obligation contained in the Agreement and, if such breach is capable of being remedied, such breach is not cured within seven (7) Business Days following receipt by the Company of notice, specifying necessary details of such breach; or
- (b) there has been any Material Adverse Change which would have a Material Adverse Effect or any Material Change in Ownership of the Company, provided that where the Material Adverse Change involves the suspension of Trading of the Shares, the Investor may only terminate the Agreement if such Trading is suspended continuously for more than fifteen (15) Trading Days; or
- (c) any material information supplied by or on behalf of the Company to the Investor in relation to the Company its subsidiaries and the Share Lender is misleading or deceptive; or

- (d) hostilities not presently existing commence (whether war has been declared or not) or in the opinion of the Investor there is a major act of terrorism or significant escalation in existing hostilities (whether war has been declared or not) involving any one or more of Hong Kong and the United States; or
- (e) either one of the following occurs;
 - (i) a general moratorium on commercial banking activities in Hong Kong is declared by the relevant banking authority, or if there is a material disruption in commercial banking or security settlement or clearance services in Hong Kong; or
 - (ii) trading in all securities quoted on the Stock Exchange is suspended or limited in any material respect for five (5) consecutive Trading Days;

in either case the effect of which is such as to make it, in the judgement of the Investor, impractical to enforce the Agreement or any Closing Notice, or the terms of the Warrant Conditions; or

- (f) approval is refused or approval is not granted which is unconditional (or conditional otherwise than on the customary listing conditions and such conditions which would, in the reasonable opinion of the Investor, have a Material Adverse Effect on the performance by the Company of its obligations under the Agreement) to the official quotation of the Shares to be issued under the Agreement or on exercise of any Warrant on the Stock Exchange, on or before each relevant Closing Date, or on exercise of any Warrant or if granted, the approval is subsequently withdrawn, qualified or withheld.

In addition, in the event that any of the Subscription Conditions (i), (ii), (vi) to (xii) set out in the paragraph headed “Subscription Conditions for each Drawdown” above has not been satisfied (or, where permitted, waived by the Investor in writing) on the last Trading Day of the relevant Pricing Period with respect to the relevant Draw Down Notice, the Investor shall be entitled to, among other things, elect, by notice to the Company, not to proceed with satisfying its obligations under the Agreement and treat the relevant Draw Down Notice issued by the Company as null and void without prejudice to other provisions of the Agreement. In such event the Company shall pay damages to the Investor in respect of costs and expenses reasonably incurred or suffered by the Investor as a result of the non-satisfaction of any of the Subscription Conditions (i), (ii), (vi) to (xii) set out in the paragraph headed “Subscription Conditions for each Drawdown” above, provided that the aggregate liability of the Company under this paragraph shall not exceed 2% of the product of (A) the Proposed Number of Option Shares specified in the relevant Drawdown Notice and (B) the Subscription Price which would otherwise have been applicable if the above conditions had been duly satisfied. Without prejudice and in addition to any other rights or remedies which it may have against the Company, the Investor may, by written notice to the Company, terminate the Agreement if two or more Drawdown Notices issued by the Company pursuant to the Agreement have been treated as null and void by the Investor for reason mentioned above. Upon such termination notice being given pursuant to the Agreement as mentioned above, the obligation of each party to the Agreement under the Agreement shall terminate and be of no further effect, but, without prejudice to any claims available to any party to the Agreement in respect of any prior breaches in the performance of the parties’ respective obligations under the Agreement.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company has conducted the following fund raising activities during the past 12 months immediately before the date of this announcement:

Date of announcement	Fund-raising activities	Net proceeds raised	Intended use of proceeds as announced	Actual use of proceeds
14 September 2010	Placing of 200,000,000 Shares at HK\$0.75 each	HK\$148 million	Providing capital for the Company's expansion initiatives and general working capital purpose	HK\$83 million used for business expansion
30 November 2010	Grant of option to subscribe for 90,000,000 Shares at HK\$1.32 each	HK\$119 million if the option is exercised in full	Providing general working capital and business expansion purpose	option is not yet exercised
17 December 2010	Issue of convertible bonds in the aggregate principal amount of HK\$200,000,000	HK\$199 million	Providing general working capital and business expansion purpose	The proceeds has not been utilized

SHAREHOLDING STRUCTURE

Assuming that there will be no other change in the shareholding structure of the Company immediately before the exercise in full of the Option and the Warrants, the shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after the issue of approximately 307,692,307 Option Shares to the Investor (based on the Total Commitment Amount of HK\$400 million and the minimum Threshold Price of HK\$1.30 per Option Share); and (iii) immediately after the issue of 307,692,307 Option Shares to the Investor (based on the Total Commitment Amount of HK\$400 million and the minimum Threshold Price of HK\$1.30 per Option Share) and the issue of 95,000,000 Warrant Shares to the Investor are as follows:

Shareholder	As at the date of this announcement		Immediately after the issue of 307,692,307 Option Shares to the Investor		Immediately after the issue of 307,692,307 Option Shares together with the 95,000,000 Warrant Shares to the Investor	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Investor or its nominee(s)	—	—	307,692,307	13.83	402,692,307	17.36
Share Lender (Note 1)	208,049,996	10.85	208,049,996	9.35	208,049,996	8.97
Lomond Group Limited (Note 2)	39,164,000	2.04	39,164,000	1.76	39,164,000	1.69
Other public Shareholders	1,669,612,431	87.11	1,669,612,431	75.06	1,669,612,431	71.98
Total	<u>1,916,826,427</u>	<u>100.00</u>	<u>2,224,518,734</u>	<u>100.00</u>	<u>2,319,518,734</u>	<u>100.00</u>

Note:

1. The Share Lender is wholly owned by Mr. Choi Chung Lam (“Mr. Choi”). The Share Lender and Mr. Choi are deemed to be interested in the 412,640,455 shares to be issued upon the exercising of the conversion rights attaching to convertible notes issued by the Company to the Share Lender.
2. Lomond Group is wholly owned by Mr. Li Haoping (“Mr. Li”). Lomond Group Limited and Mr. Li are deemed to be interested in the 319,224,863 shares to be issued upon the exercising of the conversion rights attaching to convertible notes issued by the Company to Easy Mount Enterprises Limited which is owned as to 85% by Lomond Group Limited and 15% by Mr. Ho Wai Jung.

REASON FOR ENTERING INTO THE AGREEMENT

The Company is an investment holding company. The Group is principally engaged in wireless digital terrestrial television network equipment integrated business, digital cable television two-way conversion business, research, design, development on and manufacturing of electronic message security products, integrated circuits, and the integrated circuit solutions and the related services.

If the Option is exercised by the Company in full, the gross proceeds and net proceeds to be raised by the Company therefrom will be HK\$400 million (i.e. the Total Commitment) and about HK\$382 million (based on the assumption that the total costs payable by the Company is about HK\$18 million) respectively. The Company intends to apply the net proceeds from the allotment and issue of the Option Shares for business development, expansion and/or general working capital of the Group.

If the Warrants are fully exercised by the holder(s) thereof and 95 million Warrant Shares are allotted and issued by the Company, based on the initial Warrant Exercise Price of HK\$2 per Warrant Share, the gross proceeds and net proceeds to be raised by the Company therefrom will be HK\$190 million and HK\$190 million respectively. The Company intends to apply the net proceeds from the allotment and issue of any Warrant Shares for business development, expansion and/or general working capital of the Group.

The Directors are of the view that any allotment and issue of the Option Shares and the Warrant Shares offer a good opportunity to raise additional capital for the Company and to strengthen the financial position of the Group. In addition, given the Option is granted to the Company which shall exercise the same at its sole discretion, it is considered that the Group will have flexibility in raising funds by exercising the Option during the Commitment Period. Accordingly, the Directors consider that the Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole; and the terms of the Agreement are fair and reasonable.

MANDATE TO ISSUE THE OPTION SHARES AND THE WARRANT SHARES

The Company will allot and issue the Option Shares and the Warrants Shares under the Specific Mandate to be sought at the SGM.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, (i) the Agreement and the transaction contemplated thereunder, and (ii) the grant of the Specific Mandate.

A circular containing, among other things, (i) further details of the Agreement and the transaction contemplated thereunder; (ii) the grant of the Specific Mandate; and (iii) a notice convening the SGM will be dispatched to the Shareholders as soon as practicable in accordance with the requirements of the GEM Listing Rules.

Applications will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Option Shares and the Warrant Shares.

Completion of the Agreement is subject to the satisfaction of the Conditions Precedent as set out above under the paragraph headed “Conditions Precedent to the Agreement”. As the Agreement may or may not proceed, potential investors are advised to exercise caution when dealing in the Shares.

DEFINITION

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

“Agreement”	the agreement entered into amongst the Company, the Investor, GEMML and the Share Lender on 29 December 2010 in relation to the Equity Line of Credit, the Option and the Warrants
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Business Day(s)”	any day(s) (except any Saturday, Sunday or public holiday) on which licensed banks in Hong Kong and New York are open for business throughout their normal business hours
“Closing Date”	the second Business Day which is also a Trading Day following the Closing Notice Date
“Closing Notice”	a notice from the Investor to the Company on the Closing Notice Date, which notice shall state the Final Number of Option Shares to be subscribed for by the Investor and the applicable Subscription Price per Option Share
“Closing Notice Date”	the Trading Day following the last Trading Day of each Pricing Period
“Closing Trade Price”	on any Trading Day, for the Shares, the last closing trade price of such Shares on the Stock Exchange as reported by Bloomberg Financial Markets (or such other international financial news service in substitution therefor which the parties to the Agreement may from time to time reasonably agree) on that day
“Commitment Fee	a committee fee equal to two percent (2%) of the Total Commitment payable by the Company to GEMML under the Agreement
“Commitment Period”	the period commencing on (and including) the date of when the Company has first satisfied or fulfilled the Conditions Precedent to the Agreement and the Warrants have been issued to the Investor pursuant to the Agreement and expiring on the earlier of (i) the third anniversary of such date, and (ii) the date on which the aggregate of the Purchase Price paid by or by order of the Investor for subscription for the Option Shares under the Agreement (but excluding any Share purchased under any Warrant) equals the Total Commitment (i.e. HK\$400 million).
“Company”	Heng Xin China Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
“Conditions Precedent”	conditions precedent to the Agreement as set out in the paragraph headed “Conditions Precedent to the Agreement” above

“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Daily Purchase Amount”	with respect to each Trading Day during the relevant Pricing Period, the number of Shares which is calculated by multiplying the applicable Proposed Number of Option Shares by one-fifteenth (1/15), provided that the Daily Purchase Amount shall be equal to zero (0) for any Knockout Day
“Daily Trading Volume”	with respect to any Trading Day, the trading volume of the Shares on the Stock Exchange as reported by Bloomberg Financial Markets (or such other international financial news service in substitution therefor which the parties to the Agreement may from time to time reasonably agree), and for such purposes all odd lot trades — “D”, manual trades — “M”, official close — “OC” and direct non-automatching transactions — “X”, and any block trades of 250,000 or more Shares shall be excluded
“Drawdown Notice(s)”	drawdown notice(s) from the Company to the Investor being delivered on any Trading Day during the Commitment Period in respect of the exercise of part or all of the Option by the Company
“Drawdown Notice Date “	the date upon which a Drawdown Notice is treated as delivered by the Company to the Investor pursuant to the Agreement
“Equity Line of Credit”	allotment and issue of the Option Shares to the Investor or its nominees structured over the Commitment Period with each tranche or drawdown made at the discretion of the Company by way of exercising the Option subject to the terms and conditions of the Agreement
“Final Number of Option Shares”	the final number of Option Shares to be subscribed for by the Investor or any other subscriber(s) procured by the Investor in response to a Drawdown Notice, such number shall be set out in the relevant Closing Notice from the Investor and shall not be less than 50% and not more than 200% of the relevant Pricing Period Obligation and such number of Shares to be subscribed shall be reduced to such smaller number of Shares so that the number of Shares subscribed under the Closing Notice will not, when added to other Share held by the Investor as legal and/or beneficial owner, cause the Investor to be required under the laws or regulations of Hong Kong to make a mandatory offer for all the Shares of the Company under the Takeovers Code, nor otherwise cause the Investor holding directly or indirectly in excess of 9.9% in aggregate of the total issued share capital of the Company from time to time
“GEM Group”	GEMML, its affiliated companies and the Investor comprise the GEM Group, a privately held US-based equity investment group that was founded in 1991
“GEMML”	GEM Management Limited, a company incorporated in the British Virgin Islands

“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of Stock Exchange, as amended from time to time
“Independent Third Party(ies)”	third party(ies) who is/are not connected person(s) of the Company and is/are independent of and not connected with the Company and its connected persons
“Investor”	GEM Global Yield Fund Limited (together with its permitted successors and assigns), a company incorporated in the Cayman Islands
“Knockout Day(s)”	any Trading Day during a Pricing Period (a) on which the Closing Trade Price is less than the Threshold Price stated in the Drawdown Notice last delivered by the Company to the Investor under the Agreement; (b) during which the Shares are not traded on the Stock Exchange for the whole Trading Day; (c) during which trading in the Shares on the Stock Exchange has been suspended for more than one hour; or (d) in respect of which the Investor has made an election in accordance with the terms of the Agreement that such Trading Day is a Knockout Day if there has been a Material Adverse Change and/or Material Change in Ownership
“Last Trading Day”	28 December 2010, being the last trading date prior to the date of the Agreement
“Listing” or “Listed”	the grant of a listing of and permission to deal in the Shares on the Stock Exchange and the term “ Listed ” shall be construed accordingly

“Material Adverse Change”

either (i) the audited or unaudited accounts or the accounting records of the Company and its subsidiaries, which have been published or otherwise disclosed to the Investor, contain a material inaccuracy or misstatement or otherwise fail to truly and fairly reflect the financial or business condition of the Company and/or its subsidiaries as of the date on which such accounts or accounting records were prepared or in respect of the period to which such accounts and records relate; or (ii) the Shares of the Company cease to be Listed on the Stock Exchange (for such purpose, a transfer of the listing of the Shares from the Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange shall not be construed as a cessation of being Listed on the Stock Exchange); or (iii) the Trading of the Shares is suspended continuously for more than five (5) Trading Days (without the written consent of the Investor whose consent shall not be unreasonably withheld or delayed) (other than as a result of the suspension pending the publication of any announcement or circular in connection with the transactions contemplated hereunder or suspension which is temporary in nature (i.e. for a period not exceeding five (5) Trading Days) pending the clearance by the Stock Exchange of any acquisition, realisation or share transaction); or (iv) the Company has failed to make, file or furnish any material announcements, circulars, offering memoranda, prospectus, instruments, documents or other material information to or with the Stock Exchange or required by any other governmental or regulatory body or otherwise as required by the GEM Listing Rules or any applicable law or governmental or other regulation to which the Company is subject; (v) any information in relation to the financial or business condition of the Company and/or its subsidiaries contained in any announcements, circulars, offering memoranda or prospectus or any other public documents issued by the Company and/or its subsidiaries is or has become incorrect, untrue or misleading in any material respects; or (vi) there has been any material adverse change in the nature of the business activities of the Company or any of its subsidiaries since the date of the Agreement (including where the business of the Company or its subsidiaries has not been carried on in the ordinary and usual way); or (vii) any Material Adverse Effect on the business, properties, assets, operations, liabilities, results of operations, financial condition or performance, profits, losses or prospects of the Company or the Company and its subsidiaries, if any, taken as a whole, or (viii) any Material Adverse Effect on the Shares, or on the authority or ability of the Company to perform its obligations in respect of the Agreement, the Shares or the Warrants (as the case may be), provided that the amount involved in each of the above paragraphs (i) to (viii) (other than (ii) and (iii)) should be equal to or more than HK\$5,000,000 in aggregate. For avoidance of doubt, if the amount involved in any event, change, effect or otherwise referred to in each of the above paragraphs (i) to (viii) (other than (ii) and (iii)) is less than HK\$5,000,000 (in aggregate), such event, change, effect or otherwise shall not be regarded as Material Adverse Change

“Material Adverse Effect”	any effect, whether financial or otherwise, which individually or taken as a whole, could reasonably be expected to be material and adverse to the Company and its subsidiaries and/or any condition, circumstance or situation that would prohibit or otherwise interfere with the ability of the Company to enter into and perform any of its obligations under the Agreement or the Warrants in any material respect
“Material Change in Ownership”	any change in the control or beneficial ownership of the Shares and securities which are convertible into Shares by the substantial shareholders, directors and officers as at the date of the Agreement resulting in them ceasing directly or indirectly to control, or own issued Shares and securities which are convertible into Shares of a combined total of thirty per cent. (30%) of the issued Shares in the Company from time to time. For the avoidance of doubt, any reduction in such percentage purely as a consequence of new issue of securities pursuant to fund raising or acquisitions shall not be treated as a Material Change in Ownership
“Option”	the option granted by the Investor to the Company requiring, at the Company’s option, the Investor to subscribe for up to HK\$400 million worth of Shares structured under the Equity Line of Credit
“Option Share(s)”	new Shares to be allotted and issued by the Company upon its exercise of the Option
“Pricing Period”	with regard to any Drawdown Notice being served by the Company, a period of 15 consecutive Trading Days commencing on the Trading Day immediately following the delivery of such Drawdown Notice, provided that the number of days comprising a Pricing Period shall be reduced by the number of the Knockout Day(s), if any, and further provided that the Pricing Period shall start only on the receipt by the Investor of Shares to be offered by the Share Lender to the Investor in accordance with the terms of the Share Lending Agreement in respect of such Drawdown Notice in accordance with the Share Lending Agreement
“Pricing Period Obligation”	with respect to any Pricing Period, a number of Shares equal to the sum of the Daily Purchase Amount for each Trading Day during such Pricing Period
“Proposed Number of Option Shares”	in respect of a Drawdown Notice, the aggregate number of Option Shares stated in the Drawdown Notice that the Company wishes the Investor to subscribe for, provided that (i) such number shall not exceed 500% of the average Daily Trading Volume during the 15 consecutive Trading Days immediately preceding the date of the Drawdown Notice; (ii) 200% of such number shall not exceed the authorized and unissued number of Shares as at the date of the Drawdown Notice (excluding Shares which the Company has agreed to allot and issue) nor exceed the number of unissued Shares for which the Board are authorized to allot and issue as at the date of the Drawdown Notice; and (iii) such number shall not exceed such number that, when multiplied by 90% of the Closing Trade Price on the Trading Day immediately prior to the issue of the relevant Drawdown Notice, and then added to the Purchase Price for all the Shares subscribed pursuant to all prior Closing Notices would exceed the Total Commitment

“Purchase Price”	in respect of a Closing Notice, a sum of money which equals the product of the applicable Subscription Price and the number of Shares set out in the relevant Closing Notice
“Required Approvals”	all requisite consents, approvals, waivers, authorizations and orders, and all requisite filings and registrations, required by the Stock Exchange to be obtained or made by the Company as the case may be, in connection with the delivery and performance by the Company of the Agreement and the issue of the Warrants, and the allotment and issue of Shares at each relevant Closing Date and upon exercise of any Warrant and Listing of all such Shares
“SGM”	the special general meeting of the Company to be convened and held to seek Shareholders’ approval for the Agreement and the transactions contemplated thereunder and the Specific Mandate
“Share Lender”	Team Effort Investments Limited, a company incorporated in the British Virgin Islands which is wholly-owned by Mr. Choi Chung Lam
“Share Lending Agreement”	the agreement entered into between the Share Lender and the Investor on 29 December 2010 for lending of Shares by the Share Lender to the Investor, which provides that prior to the delivery by the Company of a Drawdown Notice under the Agreement, the Share Lender shall notify the Investor of its intent to lend Shares and deliver the Shares to be borrowed to the Investor on the Drawdown Notice Date (unless otherwise agreed in writing with the Investor)
“Shareholder(s)”	registered holder(s) of the Shares in issue
“Shareholders’ Meeting”	general meeting, ordinary, special or extraordinary, of the shareholders of the Company
“Share(s)”	share(s) of HK\$0.01 each in the share capital of the Company
“Specific Mandate”	the mandate to allot and issue the Option Shares and the Warrants Shares to be sought at the SGM
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Conditions”	the conditions precedent to the obligations of the Investor to subscribe for the Shares under the Agreement, which have been set out in the paragraph headed “Subscription Conditions for each Drawdown” above
“Subscription Price”	the price of issue of the Option Shares, the determination mechanism of which are set out in the paragraph headed “Equity Line of Credit and Option granted to the Company” above
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers

“Threshold Price”	a price per Share set by the Company in each Drawdown Notice (which price may be different in each Drawdown Notice) below which the Company does not wish to sell Shares pursuant to such Drawdown Notice, which price shall not be less than HK\$1.3 per Share (or as adjusted pursuant to the Agreement) unless otherwise agreed by the Company and the Investor
“Total Commitment”	HK\$400 million in total
“Trading”	trading and dealing in the Shares on the Stock Exchange (without restriction) and the terms “ Traded ” and “ Tradable ” shall be construed accordingly
“Trading Day(s)”	a day (days) on which, in the usual course, the Stock Exchange is open for the general trading of securities (and whether or not the Shares are suspended from trading for all or part of such day(s)) for a minimum of three hours
“US”	the United States of America
“Warrant Conditions”	conditions on and subject to which each Warrant shall be issued
“Warrant Exercise Price”	subscription price of each Warrant Share, initially being HK\$2 (subject to adjustments)
“Warrant Shares”	a total of 95 million new Shares to be allotted and issued by the Company upon exercise in full of the Warrants by the holders thereof
“Warrants”	the warrants to be issued by the Company to the Investor on the third Business Day after the day on which the Conditions Precedent are satisfied (or such other day as the Company and the Investor may agree in writing), each entitles the holder thereof to subscribe for up to 95 million Shares at the Warrant Exercise Price at any time on or after the first anniversary of the date of grant of the Warrants to the fifth anniversary of the date of grant of the Warrants
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
HENG XIN CHINA HOLDINGS LIMITED
Xiao Yan
Chief Executive Officer

Hong Kong, 29 December 2010

As at the date of this announcement, the Board comprises Mr. Xiao Yan (CEO), Mr. Feng Yongming and Mr. Li Tao as executive Directors; Mr. Xu Lei as non-executive Director; Mr. Leung Wo Ping JP, Mr. Dong Shi and Mr. Hu Dingdong as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website on the “Latest Company Announcement” page for at least 7 days from the date of its posting and on the website of the Company at www.hengxinchina.com.hk