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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)

### **ADVISORY AGREEMENT — GRANT OF OPTION**

The Company has conditionally granted to the Adviser the Option, which is exercisable during the Option Period, to subscribe for 60,000,000 Shares at the Exercise Price of HK\$0.305 per Option Share.

#### **THE ADVISORY AGREEMENT**

##### **The services**

On 17 February 2009, the Company and the Adviser entered into the Advisory Agreement pursuant to which the Company engaged the Adviser to act as the Group's adviser for one year from the date of the Advisory Agreement in connection with general international strategic advisory services to promote and enhance shareholder interest and investment in the Group with a special emphasis on the capital markets in Canada, the United States, the United Kingdom, Singapore and Greater China. In return, the Adviser will be entitled to a monthly advisory fee for six months which was determined after arm's length negotiation between the Company and the Adviser.

The Adviser is a wholly-owned subsidiary of Kingsway International Holdings Limited (“**KIHL**”), a company listed on the main board of the Toronto Stock Exchange. KIHL group is a leading middle tier financial services provider, linking the global investment community with PRC's high growth economy. In addition to engaging in proprietary investment activities, KIHL group offers a variety of complementary, client focused services through its capital markets, brokerage and asset management divisions.

To the best knowledge, information and belief of the Directors, each of the Adviser and KIHL is an independent third party and not a connected person of the Company within the meaning of the GEM Listing Rules.

##### **Grant of Option**

For a nominal consideration of HK\$10 (“**Option Premium**”), the Company has, upon the signing of the Advisory Agreement, conditionally granted to the Adviser the Option to subscribe for 60,000,000 Shares at the Exercise Price of HK\$0.305 per Option Share.

\* *For identification purposes only*

The 60,000,000 Option Shares represent: (i) approximately 5.44% of the existing issued share capital of the Company; and (ii) approximately 5.16% of the existing issued share capital of the Company as enlarged by the issue of the Option Shares.

### **Exercise Price**

The Exercise Price of HK\$0.305 per Option Share was determined after arm's length negotiation between the Company and the Adviser and represents:

- (i) a discount of approximately 10.3% to the closing price of HK\$0.34 per Share as quoted on the Stock Exchange on 17 February 2009, being the date of the Advisory Agreement; and
- (ii) a discount of approximately 17.8% to the average closing price of approximately HK\$0.371 per Share as quoted on the Stock Exchange over the last five trading days immediately prior to the date of the Advisory Agreement.

The net price to the Company of each Option Share, which is calculated by dividing the aggregate of the Option Premium and the net proceeds from the exercise of the subscription right attached to the Option by the total number of the Option Shares, is approximately HK\$0.304.

### **Option Period**

Subject to the condition as specified in the paragraph headed "Condition" below, the Option is exercisable at any time during the period of one year from the date of the Advisory Agreement but subject to the condition that the volume weighted average trading price of the Shares as quoted by the Stock Exchange shall have been equal to or higher than HK\$0.60 per Share for 15 consecutive trading days during the Option Period.

### **Condition**

The grant of the Option is subject to the approval of the Stock Exchange and is conditional upon the Stock Exchange granting the listing of, and permission to deal in, the Option Shares having been obtained. If such condition is not fulfilled within 45 trading days after the signing of the Advisory Agreement, the Option shall be deemed to have lapsed forthwith.

### **Ranking of the Option Shares**

The Option Shares, when issued, will rank pari passu in all respects with all other Shares in issue at the date of issue and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of issue.

### **Mandate**

The granting of the Option and the allotment and issue of the Option Shares are not subject to the approval of the Shareholders. The Option Shares will be issued pursuant to the General Mandate granted to the Directors at the annual general meeting of the Company held on 24 November 2008. The Directors were authorised to allot and issue up to 220,604,400 Shares pursuant to the General Mandate and the General Mandate has not been utilised up to the date of this announcement.

In the event of there being any consolidation or sub-division of the share capital of the Company or bonus issue of Shares whilst the Option or any part of it remains exercisable during the Option Period, the Exercise Price and the number of Option Shares shall be adjusted in accordance with the appendix to the letter dated 5 September 2005 issued by the Stock Exchange to all listed issuers regarding share option schemes.

Given that the Exercise Price and the number of Option Shares may in the future be adjusted as a result of the happening of the adjustment event as mentioned above, the number of Option Shares which may fall to be issued upon exercise of the Option may exceed 60,000,000. In such case, the Company will ensure that it will have sufficient mandate, either from available unused General Mandate or by specific mandate to be obtained from Shareholders, to cover the issue of all Option Shares before carrying out any transaction which will trigger any adjustment to the Exercise Price and the number of Option Shares.

### **Transfer**

The Option shall be fully assignable by the Adviser to any party which is not a connected person (as defined in the GEM Listing Rules) of the Company and upon notice to the Company.

### **Voting**

The holder of the Option will not be entitled to attend or vote at any meetings of the Company by reason only of it being the holder of the Option and will not be entitled to receive notice of any meetings of the Company.

### **Application for listing**

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

### **USE OF PROCEEDS**

The net proceeds to be received by the Company upon the exercise of the Option in full are estimated to be about HK\$18 million and are intended to be used by the Company as working capital.

### **FUND RAISING ACTIVITIES OF THE COMPANY IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS ANNOUNCEMENT**

The Company has not carried out any fund raising activities in the 12 months immediately preceding the date of this announcement.

### **REASONS FOR THE GRANT OF THE OPTION**

The Company is an investment holding company. Following the completion of the acquisitions of Beijing Jinqiao Hengtai Technology Company Limited and Huzhou Maxium IC Design Co., Limited on 23 September 2008, the Group's core business is augmented to include research, development on and manufacturing of software products, radio frequency identification chips and related systems, coal mine safety monitoring integrated system and coal mine surveillance and disaster alerting systems. The Group is also engaged in developing electronic message security products and designing integrated circuits and research on integrated circuit techniques and the design, application, development, manufacturing and sale of the integrated circuit solutions and related services.

The grant of the Option is part of the incentive offered to the Adviser to provide the services to the Group.

The grant of the Option to the Adviser as an incentive will not have any adverse impact on the cashflow of the Group while the shareholder base of the Company will be enlarged and the Company can receive subscription money upon exercise of the Option. The Directors believe that the terms of the Advisory Agreement (including the grant of the Option and the Exercise Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Save and except the convertible notes issued by the Company (“**Convertible Notes**”) with the outstanding principal amount of HK\$334,142,560 which may be convertible into 1,012,184,000 Shares, the Company has no other warrants, options or other convertible securities which are still outstanding as at the date of this announcement.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The following table illustrates (i) the shareholding structure of the Company as at the date of this announcement; (ii) the shareholding structure of the Company immediately following the exercise of the Option in full:

|   | As at the date of<br>this announcement |                      | Immediately following<br>the exercise of the<br>Option in full |                      |
|---|--|----------------------|--|----------------------|
|   | No. of Shares                          | %                    | No. of Shares  | %                    |
| Team Effort Investments Limited ( <i>note 1</i> ) | 240,558,706                            | 21.81                | 240,558,706  | 20.68                |
| Lomond Group Limited ( <i>note 2</i> )            | 137,110,353                            | 12.43                | 137,110,353  | 11.79                |
| Orient State Limited ( <i>note 3</i> )            | 112,920,000                            | 10.24                | 112,920,000  | 9.71                 |
| The Adviser                                       | —                                      | —                    | 60,000,000   | 5.16                 |
| Other public                                      | 612,432,941                            | 55.52                | 612,432,941  | 52.66                |
| <b>Total</b>                                      | <b><u>1,103,022,000</u></b>            | <b><u>100.00</u></b> | <b><u>1,163,022,000</u></b>                                    | <b><u>100.00</u></b> |

Notes:

1. Team Effort Investments Limited is wholly owned by Mr. Choi Chung Lam.
2. Lomond Group Limited is wholly owned by Mr. Li Haoping.
3. Orient State Limited is wholly owned by Mr. Lam Shu Chung.
4. The above table takes no account of the effect of the exercise of the Convertible Notes.

## DEFINITIONS

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

|                      |  |
|----------------------|--|
| “Adviser”            | Excel Success Holdings Limited, a company incorporated in British Virgin Islands   |
| “Advisory Agreement” | the advisory agreement entered into between the Company and the Adviser dated 17 February 2009   |
| “Board”              | the board of Directors   |
| “Company”            | Heng Xin China Holdings Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on GEM |

|                     |  |
|---------------------|--|
| “Directors”         | the directors of the Company   |
| “Exercise Price”    | HK\$0.305 per Share, subject to adjustments for any consolidation or sub-division of Shares or bonus issue of Shares   |
| “GEM”               | the Growth Enterprise Market operated by the Stock Exchange  |
| “GEM Listing Rules” | the Rules Governing the Listing of Securities on GEM   |
| “General Mandate”   | the general mandate granted to the Directors at the annual general meeting of the Company held on 24 November 2008 to allot or otherwise deal with the unissued Shares   |
| “Hong Kong”         | the Hong Kong Special Administrative Region of the PRC   |
| “Option”            | the option conditionally granted by the Company to the Adviser attached with it the right to subscribe for the Option Shares at the Exercise Price   |
| “Option Period”     | the period of one year commencing from the date of grant of the Option   |
| “Option Shares”     | 60,000,000 Shares to be issued upon the exercise of the subscription rights attaching to the Options which Shares shall rank pari passu in all respects with the Shares in issue at the date of allotment of the Option Shares |
| “PRC”               | the Peoples’ Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan   |
| “Share(s)”          | the ordinary share(s) of HK\$0.01 each in the share capital of the Company   |
| “Shareholders”      | holders of the Shares  |
| “Stock Exchange”    | The Stock Exchange of Hong Kong Limited  |
| “HK\$”              | Hong Kong dollars, the lawful currency of Hong Kong  |
| “%”                 | per cent.  |

By Order of the Board  
**Heng Xin China Holdings Limited**  
**Li Tao**  
*Executive Director*

Hong Kong, 17 February 2009

*As at the date of this announcement, the Board comprises Mr. Li Tao, Mr. Xiao Yan, Ms. Yeung Sau Han Agnes and Ms. Yu Sau Lai as executive Directors; Mr. Chan Wai Dune, Mr. Dong Shi and Mr. Wang Chin Mong as independent non-executive Directors.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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