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(incorporated in Bermuda with limited liability)

CONNECTED TRANSACTION – SUBSCRIPTION OF NEW SHARES

- The Company entered into the Subscription Agreement with the Subscribers whereby they agreed to subscribe for, 25,092,000 Shares at a price of HK\$0.0796 per Share. The issue of the New Shares under the Subscription will be in full and final settlement of all outstanding balances as at 31st March, 2003 owed by the Group to the Subscribers, in the aggregate amount of HK\$1,997,774.19.
- If the Open Offer does not become unconditional, the Subscription Price of the New Shares will be adjusted to be equal to the average of the closing prices of the Shares for the ten trading days ended 25th July, 2003 of HK\$0.158, in which event the aggregate number of New Shares will be adjusted to 12,640,000 Shares.
- The Subscribers are connected persons of the Company as defined under the Listing Rules. The Subscription Agreement therefore constitutes a connected transaction under Rule 14.26 of the Listing Rules and is subject to, inter alia, approval by the Independent Shareholders in general meeting of the Company. As the Subscribers (and their associates) are not existing Shareholders, no Shareholder will be required to abstain from voting in respect of the resolution to be proposed at the special general meeting to approve the Subscription.

THE SUBSCRIPTION AGREEMENT DATED 28TH JULY, 2003

1. Parties

Issuer: the Company

Subscribers: Mr. Lo and Mr. Yu

Mr. Lo is the chairman of the Company and Mr. Yu is an executive Director. Therefore, both Mr. Lo and Mr. Yu are connected persons of the Company. The Subscribers and their respective associates held no Shares prior to the date of the Subscription Agreement.

2. New Shares

The Company agreed to issue, and the Subscribers agreed to subscribe for, 25,092,000 Shares, representing approximately 11.6% of the existing issued share capital of the Company or approximately 10.4% of the issued share capital of the Company as enlarged by the New Shares. The Company has, on 15th July, 2003, announced the Open Offer (on the basis of the existing issued Shares and assuming that the number of Shares in issue will not change prior to the expected record date of 3rd September, 2003), will enlarge its issued share capital to a minimum of 1,077,628,190 Shares. On the basis of the above enlarged issued capital of the Company, the New Shares represent 2.3% of such enlarged share capital. The Open Offer is subject to a number of conditions as stated in the announcement of the Company dated 15th July, 2003 and may or may not proceed.

3. Subscription Price

The subscription price is equal to HK\$0.0796 per Share. Pursuant to the Open Offer, offer shares will be offered at the price of HK\$0.06 per Share on the basis of 4 offer shares for every Share held on the record date. The Subscription Price has been determined to be equal to the theoretical ex-entitlement price of the Shares based on the average of the closing prices of the Shares for the 10 trading days ended on 25th July, 2003, of approximately HK\$0.158 per Share. The Subscription Price represents a discount of approximately 51.8% to the closing price of HK\$0.165 per Share as quoted on the Stock Exchange on 28th July, 2003 (being the last trading day of the Shares prior to the release of this announcement). The Subscription Price also represent a discount of 49.9% to the average of the closing prices of the Shares for the ten trading days ended on 28th July, 2003 of HK\$0.159.

The issue of the New Shares under the Subscription will be in full and final settlement of all outstanding balances as at 31st March, 2003 owed by the Group to the Subscribers, in the aggregate amount of HK\$1,997,774.19.

4. Conditions

The Subscription Agreement is conditional upon the following:

- (i) The approval of Shareholders that are independent of the Subscribers in special general meeting;
- (ii) the granting of the listing of and permission to deal in the New Shares by the Listing Committee of the Stock Exchange; and
- (iii) the Bermuda Monetary Authority granting permission to allot and issue the New Shares, if required.

All but not part of the above conditions shall be fulfilled on or before 30th September, 2003, or such other day as may be agreed by the parties to the Subscription Agreement. Otherwise the Subscription Agreement shall cease and determine and none of the parties shall have any claim against any other in respect of the Subscription.

5. Completion

Completion shall take place on the third business day after fulfillment of all the conditions stated above or the completion of the proposed Open Offer (or if the Open Offer does not proceed, upon the announcement by the Company of such event) (whichever is the later). The Subscription is not conditional on the Open Offer and vice versa.

On 15th July, 2003, the Company announced the 4 for 1 Open Offer to raise approximately HK\$51.7 million at an offer price of HK\$0.06 per Share. As the allotment of the New Shares is expected to take place after the record date of the Open Offer of 3rd September, 2003, completion of the Subscription will not affect the offering of the Shares under the Open Offer and the Subscribers will not be entitled to vote at the proposed special general meeting to approve the Open Offer in respect of the New Shares.

6. Adjustment

The terms of the Subscription Agreement were agreed between the Subscribers and the Company based on arm's length negotiations taking into consideration the prevailing market prices of the Shares and the issue price of the Shares pursuant to the Open Offer. If the Open Offer does not become unconditional, the Subscription Price of the New Shares will be adjusted to be equal to the average of the closing prices of the Shares for the ten days ended 25th July, 2003 of HK\$0.158, in which event the aggregate number of New Shares will be adjusted to 12,640,000 New Shares. Such adjusted number of New Shares represent 5.9% of the existing issued Shares and 5.5% of the issued Shares as enlarged only by the Subscription. Further announcement will be made if an adjustment to the Subscription Price is required in the event of a termination of the Open Offer.

The Directors consider that the terms of the Subscription Agreement, including the Subscription Price, are fair and reasonable and the Subscription is in the interest of the Company and the Shareholders. Mr. Lo and Mr. Yu took no part in approving the Subscription Agreement.

7. Rights of the New Shares

The New Shares will rank pari passu in all respects among themselves and with the Shares in issue on the date of the allotment and issue of the New Shares, including but not limited to, the right to receive all dividends and distributions, which may be declared, made or paid on or after such date. The New Shares will be issued after the record date for and will not be entitled to participate in the Open Offer.

8. Application for listing

Application will be made to the Stock Exchange for the listing of and permission to deal in the New Shares. The New Shares will be allotted and issued pursuant to the approval by the Independent Shareholders in special general meeting.

9. Reasons for the Subscription

The Subscription serves to encourage senior management equity investment in the Group while capitalizing liabilities of the Group. In 2001, the Group was operating under financial difficulty and the Group has undergone a successful restructuring of its liabilities in May 2002 involving the issue of shares, convertible bonds and note together with compromise of bank debts and creditor settlements. The Board considers that the contribution of Mr. Lo and Mr. Yu in negotiating the agreements leading to, and managing the operations of the Group during the debt and capital restructuring of the Group has been extremely valuable. The Board considers that the Subscription will enable Mr. Lo and Mr. Yu to participate in the recovery of the Group in the future by equity investment. The agreement of the Subscribers to convert amounts owed by the Group into equity also reflects the confidence of the Subscribers in the future prospects of the Group, which the Board considers will foster confidence of Shareholders as well as the suppliers and creditors of the Group.

The Directors consider the Subscription to be in the interest of the Company and the Shareholders in that it would enhance the capital base of the Company and at the same time preserve available financial resources of the Group by capitalizing the outstanding amount owed by the Group to the Subscribers. Since the completion of the abovementioned debt restructuring, the Group has been operating under strict control in terms of use of financial resources.

The Directors consider that the Subscription Agreement has been agreed after the release of the annual results of the Group for the year ended 31st March, 2003 but prior to completion of the Open Offer so that Shareholders will have sufficient time to assess the effect of the Subscription Agreement and the Open Offer in the light of latest financial information.

10. Shareholding structure

Set out below is the shareholding structure of the Company as at the date of the Subscription Agreement and immediately upon Completion:

Shareholder	Existing Shares		Immediate after Completion					
			After Open Offer		After Open Offer		If Open Offer does not proceed	
Vision Century	156,419,190	72.58%	782,095,950	70.92%	782,095,950	70.92%	156,419,190	68.56%
Mr. Lo	-	-	18,068,000	1.64%	18,068,000	1.64%	9,104,000	3.99%
Mr. Yu	-	-	7,024,000	0.64%	7,024,000	0.64%	3,536,000	1.55%
Kingston Securities Limited	-	-	-	-	236,425,792	21.44%	-	-
Public	59,106,448	27.42%	295,532,240	26.80%	59,106,448	5.36%	59,106,448	25.90%
Total	<u>215,525,638</u>		<u>1,102,720,190</u>		<u>1,102,720,190</u>		<u>228,165,638</u>	
			(Note: a, c, e)		(Note: b, c, e)		(Note: d, e)	

Notes:

- Assuming the Shareholders take up all the offer shares under the Open Offer.
- Assuming that no Shareholders (except for Vision Century) take up their entitlement to offer shares and Kingston Securities Limited take up its underwriting commitment under the Open offer as underwriter.
- If the Open Offer proceeds, the 25,092,000 new Shares will be issued at HK\$0.0796 per Share.
- In the event the Open Offer does not proceed, the 12,640,000 new Shares will be issued at HK\$0.158 per Share.
- All scenarios presented on the basis of the existing issued Shares in issue and assuming that all convertible securities of the Company in issue will not be exercised prior to the record date for the Open Offer.

11. Compliance

The principal activities of the Group are the design, manufacture and sale of a wide range of toys.

As the Subscribers are connected persons of the Company under the Listing Rules, the Subscription constitutes a connected transaction to the Company under Rule 14.26 of the Listing Rules and is conditional on the approval of the Independent Shareholders. As the Subscribers (and their associates) are not existing Shareholders, no Shareholder will be required to abstain from voting in respect of the resolution to be proposed at the special general meeting to approve the Subscription.

An independent board committee will be established to consider the terms of the Subscription and advise the Shareholders accordingly. Dao Heng Securities Limited has been appointed as the independent financial adviser to advise the independent board committee on whether the Subscription is fair and reasonable. A circular containing details of the Subscription, a letter of advice prepared by Dao Heng Securities Limited to the independent board committee, and the advice of the independent board committee on the Subscription will be sent to the Shareholders as soon as possible.

DEFINITIONS

In this announcement the following terms have the following meanings:

“Board”	board of the Directors
“Company”	Xin Corporation Limited, a company incorporated in Bermuda with limited liability, whose Shares are listed on the Stock Exchange
“Completion”	completion of the Subscription Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Independent Shareholders”	Shareholders who are independent of and not connected with the Subscribers and their respective associates
“Listing Rules”	Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Lo”	Mr. Lo Ming Chi, Charles, the chairman of the Company and an executive Director
“Mr. Yu”	Mr. Yu Wai Man, an executive Director
“New Shares”	25,092,000 Shares to be issued pursuant to the Subscription Agreement
“Open Offer”	the proposed conditional open offer of new Shares on the basis of 4 offer shares for every Share held of the Company announced on 15th July, 2003
“Share(s)”	share(s) of HK\$0.01 each in the issued share capital of the Company

“Shareholder(s)”	the holders of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	Mr. Lo and Mr. Yu
“Subscription”	the subscription by the Subscribers of the New Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 28th July, 2003 entered into between the Company and the Subscribers, whereby inter alia the Company agreed to allot and issue, and the Subscribers agreed to subscribe for, the New Shares
“Subscription Price”	HK\$0.0796 per Share
“Vision Century”	Vision Century Group Limited, a company incorporated in the British Virgin Islands with limited liability, which holds approximately 72.6% of the issued share capital of the Company
“HK\$”	Hong Kong dollars
“%”	per cent.

By Order of the Board
Lo Ming Chi, Charles
Chairman

Hong Kong, 28th July, 2003

* *For identification purpose only*

Please also refer to the published version of this announcement in The Standard.