
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is issued by Hengxin Technology Ltd. (the “Company”). If you are in any doubt as to the action you should take, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser immediately.

If you have sold or transferred all your Shares in the capital of the Company, you should at once hand this circular, the notice of the extraordinary general meeting (the “EGM”) and attached proxy form to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

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HENGXIN TECHNOLOGY LTD. 亨鑫科技有限公司*

(carrying on business in Hong Kong as HX Singapore Ltd.)

(Incorporated in Singapore with limited liability)

(Stock Code: 1085)

**(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
RAW MATERIALS PURCHASE MASTER AGREEMENT
AND
PRODUCTS SALES MASTER AGREEMENT
AND
(II) PROPOSED APPOINTMENT OF NEW AUDITOR
IN HONG KONG
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalised terms used on this cover shall have the same meaning as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 4 to 18 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 19 to 20 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 32 of this circular.

A notice convening the EGM to be held at 11 a.m. on Tuesday, 17 December 2019 at Room D, 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong (or at any adjournment thereof) is set out on pages 38 to 40 of this circular. If you are unable to attend the EGM, you are requested to complete and return the proxy form accompanying this circular in accordance with the instructions printed thereon to the Company’s Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 (for Singapore Shareholders), or to the Company’s Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for Hong Kong Shareholders), as soon as possible and in any event not later than forty-eight (48) hours before the time of the EGM (or at any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM (or at any adjournment thereof) should you so wish and in such event, the proxy form shall be deemed to be revoked.

22 November 2019

* For identification purpose only

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DEFINITIONS

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

“associate(s)”	has the same meaning as given to it under the Listing Rules
“Auditor”	the auditor of the Company
“Board”	the board of Directors
“CCT Agreements”	the 2019 Raw Materials Purchase Master Agreement and the 2019 Products Sales Master Agreement
“Company”	Hengxin Technology Ltd., a company incorporated in Singapore with limited liability and the Shares of which are listed on the Main Board of the SEHK
“connected person(s)”	has the same meaning as given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 11 a.m. on Tuesday, 17 December 2019 at Room D, 1804A, 18/ F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong for the purposes of, among other things, considering and, if thought fit, approving the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps) by the Independent Shareholders as well as the proposed appointment of KPMG as the new Auditor in Hong Kong by the Shareholders
“Existing 2016 Products Sales Master Agreement”	the existing products sales master agreement dated 29 September 2016 entered into between Hengxin (Jiangsu), as supplier, and Suzhou Hengli, as purchaser, in relation to the sales of the Group’s products for a term up to 31 December 2019, details of which were disclosed by the Company in its announcement dated 29 September 2016
“Existing 2016 Raw Materials Purchase Master Agreement”	the existing raw materials purchase master agreement dated 29 September 2016 entered into between Hengxin (Jiangsu), as purchaser, and Suzhou Hengli, as supplier, in relation to the purchase of certain raw materials from Suzhou Hengli for a term up to 31 December 2019, details of which were disclosed by the Company in its announcement dated 29 September 2016
“FRCO”	the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong), as amended, modified or supplemented from time to time

DEFINITIONS

“Group”	the Company and its subsidiaries
“Hengtong Group”	Hengtong Group Co., Ltd. (亨通集團有限公司)
“Hengtong Optic-Electric”	Hengtong Optic-Electric Co., Ltd. (江蘇亨通光電股份有限公司)
“Hengxin (Jiangsu)”	Jiangsu Hengxin Technology Co., Ltd. (江蘇亨鑫科技有限公司), a limited liability company established in the PRC on 26 June 2003 and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board formed by the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the CCT Agreements
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Shareholder(s)”	Shareholders other than Kingever and its associates
“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
“Kingever”	Kingever Enterprises Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of the Company, holding approximately 24.97% of the issued share capital of the Company as at the Latest Practicable Date
“KPMG”	Messrs KPMG
“KPMG LLP”	Messrs KPMG LLP
“Latest Practicable Date”	19 November 2019, 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 SEHK, as amended, modified or supplemented from time to time

DEFINITIONS

“percentage ratios”	has the same meaning as given to it under the Listing Rules
“PRC”	the People’s Republic of China, which, unless otherwise stated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
“2019 Products Sales Master Agreement”	the products sales master agreement dated 10 October 2019 entered into between Hengxin (Jiangsu), as supplier, and Suzhou Hengli, as purchaser, in relation to the sales of the Group’s products for a term of three years commencing from 1 January 2020 to 31 December 2022, as the renewal of the Existing 2016 Products Sales Master Agreement
“2019 Raw Materials Purchase Master Agreement”	the raw materials purchase master agreement dated 10 October 2019 entered into between Hengxin (Jiangsu), as purchaser, and Suzhou Hengli, as supplier, in relation to the purchase of certain raw materials from Suzhou Hengli for a term of three years commencing from 1 January 2020 to 31 December 2022, as the renewal of the Existing 2016 Raw Materials Purchase Master Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SEHK”	The Stock Exchange of Hong Kong Limited
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
“Share(s)”	ordinary share(s) of the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“substantial shareholder(s)”	has the same meaning as given to it under the Listing Rules
“Suzhou Hengli”	Suzhou Hengli Telecommunications Materials Co., Ltd. (蘇州亨利通信材料有限公司), a limited liability company established in the PRC
“%”	per cent.

For illustration purpose only, amounts in RMB in this circular have been translated into HK\$ at the rate of RMB1.00 = HK\$1.11. No representation is made that any amount in RMB have been, could have been or may be converted at such rate or any other rates.

LETTER FROM THE BOARD



HENGXIN TECHNOLOGY LTD.
亨鑫科技有限公司*

(carrying on business in Hong Kong as HX Singapore Ltd.)

(Incorporated in Singapore with limited liability)

(Stock Code: 1085)

Directors:

Mr. Cui Wei

(Chairman and Non-Executive Director)

Mr. Du Xiping *(Executive Director)*

Mr. Xu Guoqiang *(Executive Director)*

Ms. Zhang Zhong *(Non-Executive Director)*

Mr. Tam Chi Kwan Michael

(Independent Non-Executive Director)

Dr. Li Jun *(Independent Non-Executive Director)*

Mr. Pu Hong *(Independent Non-Executive Director)*

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of business in Singapore:

5 Tampines Central 1

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Singapore 529541

22 November 2019

To the Shareholders

Dear Sir or Madam,

**(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
RAW MATERIALS PURCHASE MASTER AGREEMENT
AND
PRODUCTS SALES MASTER AGREEMENT
AND
(II) PROPOSED APPOINTMENT OF NEW AUDITOR IN HONG KONG
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

References are made to the announcements of the Company dated 10 October 2019 in relation to the CCT Agreements and the proposed appointment of the new Auditor in Hong Kong.

* For identification purpose only

LETTER FROM THE BOARD

In contemplation of the expiry of the Existing 2016 Raw Materials Purchase Master Agreement and the Existing 2016 Products Sales Master Agreement on 31 December 2019, on 10 October 2019, Hengxin (Jiangsu) and Suzhou Hengli entered into the CCT Agreements to renew them, each for a term of three years commencing from 1 January 2020 to 31 December 2022, and to revise the annual caps for the transactions contemplated thereunder.

The Board proposes to appoint KPMG as the new Auditor in Hong Kong and to hold office until conclusion of the next annual general meeting of the Company.

The purpose of this circular is to provide you with (i) details about the CCT Agreements, (ii) details about the proposed appointment of the new Auditor in Hong Kong, (iii) the letter from the Independent Board Committee to the Independent Shareholders with respect to the CCT Agreements, (iv) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders with respect to the CCT Agreements, and (v) the notice of the EGM to be convened for the purposes of, among other things, the Independent Shareholders to consider and, if thought fit, the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps) as well as the Shareholders to consider and, if thought fit, the proposed appointment of KPMG as the new Auditor in Hong Kong.

2. 2019 RAW MATERIALS PURCHASE MASTER AGREEMENT

Date

10 October 2019

Parties

Purchaser: Hengxin (Jiangsu), a wholly-owned subsidiary of the Company

Supplier: Suzhou Hengli, a connected person of the Company

Subject matter

Pursuant to the 2019 Raw Materials Purchase Master Agreement, Suzhou Hengli will supply metal plastic tape, aluminium plastic tape and other raw materials for production of radio frequency coaxial cables (collectively, the “**Raw Materials**”) to Hengxin (Jiangsu), on terms no less favourable than those offered to any Independent Third Parties.

It is also agreed under the 2019 Raw Materials Purchase Master Agreement that Hengxin (Jiangsu) may purchase those Raw Materials from any third party in the event where such third party offers such Raw Materials with better quality and/or at a better price.

Term

The 2019 Raw Materials Purchase Master Agreement is for a term of three years commencing from 1 January 2020 to 31 December 2022 and such term may be renewed by mutual agreement, subject to the requirements under the Listing Rules at that time.

LETTER FROM THE BOARD

Conditions precedent

The 2019 Raw Materials Purchase Master Agreement is subject to fulfilment of the following conditions:

- (a) publication of the announcement on 10 October 2019 and this circular as required under the Listing Rules;
- (b) having obtained the approvals from the board of directors of Hengxin (Jiangsu), Suzhou Hengli and the Company in respect of the entering into of the 2019 Raw Materials Purchase Master Agreement and the transactions contemplated thereunder; and
- (c) having obtained the approval from the Independent Shareholders in respect of the entering into of the 2019 Raw Materials Purchase Master Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

As at the Latest Practicable Date, the conditions precedent set out in paragraphs (a) and (b) above have been fulfilled.

Purchase price

As a pre-condition with respect to the quality meeting the requirements of the Group, the purchase price shall be determined in accordance with the following basis:

- (a) Suzhou Hengli submits its tender price through the tender process conducted by Hengxin (Jiangsu); and
- (b) if there is no tender process, the purchase price shall be a fair price to be negotiated and agreed between the parties having regard to the fair market price for the same or similar type of the Raw Materials provided by Independent Third Parties in Jiangsu Province or the regions nearby.

The 2019 Raw Materials Purchase Master Agreement sets out the details to be included in any separate individual purchase agreement to be entered into between the parties thereto.

LETTER FROM THE BOARD

Historical transaction amounts and annual caps

The existing annual caps for the transactions under the Existing 2016 Raw Materials Purchase Master Agreement and the historical transaction amounts thereunder are set out below:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ending 31 December 2019
Annual cap	RMB50,000,000	RMB50,000,000	RMB50,000,000
			Nine months ended 30 September 2019
	Year ended 31 December 2017	Year ended 31 December 2018	September 2019
	(audited)	(audited)	(unaudited)
Historical transaction amount	RMB43,984,561	RMB23,419,912	RMB23,326,978

For each of the three years ending 31 December 2020, 2021 and 2022, the proposed annual cap for the transactions under the 2019 Raw Materials Purchase Master Agreement is RMB50,000,000 (equivalent to approximately HK\$55,500,000). The proposed annual caps for the 2019 Raw Materials Purchase Master Agreement for the three years ending 31 December 2022 are determined with reference to (i) the historical transaction amounts, (ii) the prevailing market price of the Raw Materials, (iii) the possible increase in the purchase price taking into account of the estimated PRC inflation rate of approximately 2% for the years 2020 to 2022, (iv) the expected production and sales of radio frequency coaxial cables and leaky coaxial cables, both of which are the Group's products and can be widely used in the telecommunications in areas including but not limited to subways, railways, tunnels, underground mines, buildings and mobile surveillance system, etc. given the expected increase in the demand for leaky coaxial cables in the market in the coming few years, and (v) the expected increase in the purchase of the Raw Materials supplied by Suzhou Hengli given the continuing improved quality.

In 2017 and 2018, the Group's radio frequency cable production by using the Raw Materials supplied by Suzhou Hengli recorded a year-on-year growth of approximately 64.0% and -46.8% respectively. It is expected that Hengxin (Jiangsu)'s total purchase of the Raw Materials from Suzhou Hengli, as projected by the historical transaction amount of RMB23.33 million for the nine months ended 30 September 2019, could reach approximately RMB42.0 million by the end of 2019, which is within the annual cap for the year ending 31 December 2019 under the Existing 2016 Raw Materials Purchase Master Agreement, and represent a potential growth of approximately 79.3% from that of the year ended 31 December 2018. In view of the historical growth rates in the total purchase of the Raw Materials from Suzhou Hengli, the continuing improved quality of the Raw Materials supplied by Suzhou Hengli, and the expected increase in the demand for leaky coaxial cables in the market in the coming few years, the Board expects a further increase in the total purchase of the Raw Materials from Suzhou Hengli for the years 2020 to 2022, in the range of approximately -10.0% to 5.0% compared to the expected total purchase of the Raw Materials from Suzhou Hengli for the year ending 31 December 2019.

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Furthermore, based on historical transaction records, the utilisation of the historical cap for the year ended 31 December 2017 and 31 December 2018 under the Existing 2016 Raw Materials Purchase Master Agreement reached approximately 88% and 47% respectively and 62% for the nine months ended 30 September 2019 (on pro-rata basis of the annual cap for the year ending 31 December 2019). The main reason for the fluctuation in utilisation rates from the year ended 31 December 2017 to the year ended 31 December 2018 was mainly due to the fact that the demand for radio frequency coaxial cables decreased as a result of weakening 4G telecommunication investment with 5G telecommunication not being formally launched (decrease in demand for the Group's products led to decrease in Raw Materials Purchase for production) and the general market trend in using optic fibres over copper-made coaxial cables.

However, with the first commercial year (2019) of 5G products officially seen in the PRC upon the grant of 5G license, the great development of the 5G industry will benefit the Group in every aspect. Over the past years, the Group has been increasing the research and development of 5G technology, and actively preparing 5G-related products, especially those products with huge future market demand. Accordingly, the raw materials purchase amount recovered in 2019. The raw materials purchase amount during the nine months ended 30 September 2019 was close to the raw materials purchase amount during the year ended 31 December 2018.

Based on historical records, the Group conducted more Raw Materials Purchase in the second half of a year as compared to the first half. During the third quarter of 2019, the Group conducted Raw Materials Purchase of approximately RMB13 million, representing approximately 57% of the total Raw Materials Purchase during the nine months ended 30 September 2019. Based on the production and purchase planning for the fourth quarter of 2019, the Group estimated that the raw materials purchase amount may reach approximately RMB42 million for the year ending 31 December 2019.

The raw materials purchase amount for the three years ending 31 December 2022 may fluctuate according to the demand of the Group's products. Therefore, the Company expects that the raw materials purchase amount during each of the three years ending 31 December 2022 will be within RMB50 million.

Pricing policy (tender process and procedures for determining the fair price)

Over the years since the Group has been purchasing the Raw Materials from Suzhou Hengli in December 2008, the Group has been adopting the tender process for the selection of suppliers in respect of the purchase of the Raw Materials. Details of the tender process are set out below:

- (i) Every year tender documents are issued to Suzhou Hengli and at least 3 independent qualified suppliers for supply of the Raw Materials. These suppliers are selected by the purchasing department of Hengxin (Jiangsu) from the list of qualified suppliers after taking into account of the type and quality of their products, their reputation, timely delivery or other logistics or service-related factors, etc. At present, the list of qualified suppliers consists of Suzhou Hengli and other Independent Third Parties. In order to admit a supplier into the list of qualified suppliers, the staff from the purchasing department will conduct site visit, review documents regarding the supplier's

LETTER FROM THE BOARD

background, production capacity and equipment assessment, sample testing of the Raw Materials, and finally conduct QC checks on the Raw Materials and finished products by using these Raw Materials. Only when the supplier has passed all these assessments and been approved by the purchasing department will it be admitted into the list of qualified suppliers.

- (ii) The tender panel (the “**Panel**”), comprising the heads of the respective departments of production, purchasing, finance, operation planning, technical and quality as well as the general manager of Hengxin (Jiangsu), will evaluate the tenders submitted and determine the successful tender. The Panel will consider various factors, such as tender price and product quality, and for recurring suppliers, timely delivery or other logistics or service-related factors, etc. during the evaluation. Generally, if the tenderers obtain similar score in overall assessment, the tenderer offering the most favourable price wins the tender. Hengxin (Jiangsu) will then purchase the Raw Materials at the tender price from the winning supplier until a new tender price is determined at the next tender process which usually takes place in each 3 to 4 months.
- (iii) As a measure of internal control, the purchasing department of Hengxin (Jiangsu) will check the reference price for the Raw Materials purchased from Suzhou Hengli quoted at Dalian Commodity Exchange (if available) on a quarterly basis. If the reference price quoted at Dalian Commodity Exchange is below the tender price of more than 10%, Hengxin (Jiangsu) has a unilateral right to call for a new tender. Such right will be set out in the tender documents when Hengxin (Jiangsu) issues the same to the tenderers. The benchmark of 10% was determined after taking into account of the historical price fluctuation of the Raw Materials quoted at Dalian Commodity Exchange, the costs and expenses which may be incurred by the supplier in connection with the supply of the Raw Materials to Hengxin (Jiangsu) such as delivery cost, etc., the historical differences in the tender prices in a tender which were usually around 5%, the extra opportunity cost and time required for Hengxin (Jiangsu) to call for a new tender, and the possible effect of hindering the independent suppliers to submit another tender if the benchmark is set too low. According to the Company’s records, Hengxin (Jiangsu) has never exercised this right.

As disclosed above, pursuant to the 2019 Raw Materials Purchase Master Agreement, if there is no tender process, the purchase price for the Raw Materials shall be the fair price to be negotiated and agreed between the parties. In such circumstances, the Group will adopt the following procedures to determine the fair price for the Raw Materials:

- (i) The purchasing department of Hengxin (Jiangsu) will obtain quotations from Suzhou Hengli and at least 3 independent qualified suppliers who supply the Raw Materials.
- (ii) The purchasing department will compare the quotations and provided that the Raw Materials which have previously sold to Hengxin (Jiangsu) by those independent qualified suppliers and Suzhou Hengli are of similar quality and have passed the Group’s internal QC check, the purchasing department will purchase the Raw Materials from the supplier who has given the lowest quotation. In contrast to the tender price at

LETTER FROM THE BOARD

which Hengxin (Jiangsu) can purchase the Raw Materials from the winning tenderer (which may or may not be Suzhou Hengli) until another new tender price determined at the next tender process, the purchase price determined between the parties under this “fair price approach” applies to one individual transaction only.

Given that the purchase price determined under the “fair price approach” is applicable to one individual transaction only, and Hengxin (Jiangsu) will obtain sufficient quotations from independent suppliers, the Company believes that the purchase price so determined should represent the best pricing term that Hengxin (Jiangsu) can obtain from the market at a material time, and no preferential treatment would be given to Suzhou Hengli over other independent suppliers.

Indeed, Hengxin (Jiangsu) usually determines the purchase price for the Raw Materials through tender process so far as is practicable. The inclusion of the “fair price approach” is solely for the purpose of giving the Group flexibility and as an alternative means which enables the Group to source the Raw Materials in a fair manner when needed. According to Hengxin (Jiangsu)’s records, the “fair price approach” was rarely used except in circumstances such as the independent supplier(s) whom the Group usually deal(s) with could not provide a particular type of the Raw Materials whilst Suzhou Hengli could provide such Raw Materials on an urgent basis.

In order to ensure compliance with the pricing terms under the 2019 Raw Materials Purchase Master Agreement and that the annual caps thereunder will not be exceeded, the finance department of Hengxin (Jiangsu) is responsible for monitoring the transactions contemplated under the 2019 Raw Materials Purchase Master Agreement and the aggregate transaction amount, and will report to the management on a monthly basis. The management will then report to the Board on a quarterly basis.

By implementing the above policy and procedures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control to ensure that the pricing basis for the Raw Materials supplied by Suzhou Hengli to Hengxin (Jiangsu) under the 2019 Raw Materials Purchase Master Agreement will be in accordance with the terms under the agreement, on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

3. 2019 PRODUCTS SALES MASTER AGREEMENT

Date

10 October 2019

Parties

Supplier: Hengxin (Jiangsu)

Purchaser: Suzhou Hengli

LETTER FROM THE BOARD

Subject matter

Pursuant to the 2019 Products Sales Master Agreement, Hengxin (Jiangsu) will provide the Group's products, such as radio frequency coaxial cable series for mobile communications, telecommunications equipment and accessories, high temperature resistant cables and antennas (collectively, the "**Products**") to Suzhou Hengli, on terms no more favourable than those offered to any Independent Third Parties.

It is also agreed under the 2019 Products Sales Master Agreement that Suzhou Hengli will give priority to Hengxin (Jiangsu) for purchase of the Products over other third parties under the same sales conditions.

Term

The 2019 Products Sales Master Agreement is for a term of three years commencing from 1 January 2020 to 31 December 2022 and such term may be renewed by mutual agreement, subject to the requirements under the Listing Rules at that time.

Conditions precedent

The 2019 Products Sales Master Agreement is subject to fulfilment of the following conditions:

- (a) publication of the announcement on 10 October 2019 and this circular as required under the Listing Rules;
- (b) having obtained the approvals from the board of directors of Hengxin (Jiangsu), Suzhou Hengli and the Company in respect of the entering into of the 2019 Products Sales Master Agreement and the transactions contemplated thereunder; and
- (c) having obtained the approval from the Independent Shareholders in respect of the entering into of the 2019 Products Sales Master Agreement and the transactions contemplated thereunder in accordance with the Listing Rules.

As at the Latest Practicable Date, the conditions precedent set out in paragraphs (a) and (b) above have been fulfilled.

Selling price

Pursuant to the 2019 Products Sales Master Agreement, the selling price shall be a fair price to be negotiated and agreed between the parties having regard to the gross profit margin expected to be generated to Hengxin (Jiangsu) from the transaction.

The 2019 Products Sales Master Agreement sets out the details to be included in any separate individual sale agreement to be entered into between the parties thereto.

LETTER FROM THE BOARD

Historical transaction amounts and annual caps

The existing annual caps for the transactions under the Existing 2016 Products Sales Master Agreement and the historical transaction amounts thereunder are set out below:

	Year ended 31 December 2017	Year ended 31 December 2018	Year ending 31 December 2019
Annual cap	RMB10,000,000	RMB10,000,000	RMB10,000,000
			Nine months ended 30 September 2019
	Year ended 31 December 2017	Year ended 31 December 2018	September 2019
	(audited)	(audited)	(unaudited)
Historical transaction amount	RMB6,767,492	RMB5,998,494	RMB7,522,350

For each of the three years ending 31 December 2020, 2021 and 2022, the proposed annual cap for the transactions under the 2019 Products Sales Master Agreement is RMB10,000,000 (equivalent to approximately HK\$11,100,000). The proposed annual caps for the 2019 Products Sales Master Agreement for the three years ending 31 December 2022 are determined with reference to (i) the historical transaction amounts, (ii) the prevailing market price of the Products, (iii) the possible increase in the selling price taking into account of the estimated PRC inflation rate of approximately 2% for the years 2020 to 2022, (iv) the production capacity of the Group, (v) the sales capacity of Suzhou Hengli and the expected increase in the purchase of the Products supplied by Hengxin (Jiangsu) in the coming few years, and (vi) the expected increase in the demand of the Products in the market in light of the possible positive effects of the gradual commercialization of 5G telecommunication in the next few years.

Furthermore, based on historical transaction records, the utilisation of the historical cap under the Existing 2016 Product Sales Master Agreement for the years ended 31 December 2017 and 31 December 2018 reached approximately 68% and 60% respectively and 100% for the nine months ended 30 September 2019 (on pro-rata basis of the annual cap for the year ending 31 December 2019). As advised by the Directors, the said decrease in utilisation rates from the year ended 31 December 2017 to the year ended 31 December 2018 was mainly due to the fact that the demand for the products by Suzhou Hengli decreased as a result of weakening 4G telecommunication investment with 5G telecommunication not being formally launched until 2019 as operators have taken a wait and see strategy on equipment update amid the slow development in 5G commercial use.

Despite the decrease in utilisation rate of the Sale Cap for the year ended 31 December 2018 as compared to that for the year ended 31 December 2017, the products sale amount for the nine months ended 30 September 2019 reached approximately 75% of the Sale Cap for the year ending 31 December 2019 or 100% on pro-rata basis of the annual cap for 2019 for the nine months ended 30 September 2019. The recovery in products sale amount in 2019 was mainly due to the expected commercialization of 5G telecommunication in 2019, thus leading to a pick up on the general demand

LETTER FROM THE BOARD

of the products. Having taken into account the outstanding order placed by Suzhou Hengli, the Company expects the products sale amount for the year ending 31 December 2019 to be close to the Sale Cap of RMB10 million.

The products sale amount for the three years ending 31 December 2022 may fluctuate according to the Suzhou Hengli's demand of the products. Therefore, the Company expects that the products sale amount during each of the three years ending 31 December 2022 will be within RMB10 million.

Pricing policy

Pursuant to the 2019 Products Sales Master Agreement, Hengxin (Jiangsu) shall supply the Products to Suzhou Hengli on terms no more favourable than those offered to any Independent Third Parties. The Group has adopted the following policy to ensure the pricing basis under the 2019 Products Sales Master Agreement is on normal commercial terms.

When Suzhou Hengli obtains a quotation from Hengxin (Jiangsu) for purchase of a particular type of the Products, the sales department of Hengxin (Jiangsu) will, with reference to the indicative price given by Suzhou Hengli, give a quotation such that acceptance of Suzhou Hengli's order will generate a positive gross profit margin to the Group. In general, before Hengxin (Jiangsu) accepts a purchase order, it will consider various factors, including, among others, selling price, profit margin, specification of the products as to whether the Group can satisfy the requirements, delivery schedule, warranty period required (if any) and production capacity of the Group, etc. This pricing policy is also used when Hengxin (Jiangsu) determines the selling price for the Products provided to other third party customers so far as is practicable. If Hengxin (Jiangsu) receives orders from both Suzhou Hengli and other third party customers for the same product at the same time, the order from Suzhou Hengli will be accepted only when Suzhou Hengli's order can generate a higher gross profit margin to the Group or when Hengxin (Jiangsu) is capable of accepting the orders from both Suzhou Hengli and other third party customers based on the Group's then production capacity. During the years ended 31 December 2017 and 2018 and the eight months ended 31 August 2019, the Group has not fully utilised its production capacity. Given that the Group's current production capacity has not yet been fully utilised and the production capacity can be further increased when necessary, based on the estimated sales budget, the proposed annual caps under the 2019 Products Sales Master Agreement and the management's experience, the Board considers that the Group's production capacity will be sufficient for satisfying the potential orders from both Suzhou Hengli and other Independent Third Parties for the supply of the Products in the near future.

In addition, it is a general policy of the Group that approval from the general manager of Hengxin (Jiangsu) is required in the event where an order (whether from Suzhou Hengli or other Independent Third Parties) can only generate a gross profit margin of less than 10% to the Group. The benchmark of 10% was determined after taking into account of the estimated costs and expenses in connection with the sales of the Products as well as the Group's gross profit margins generated from the sales of all the Group's products (including but not limited to the Products sold to Suzhou Hengli) for the years ended 31 December 2017 and 2018, being 21.2% and 23.8%, respectively. Based on the Company's records and estimation with reference to the Group's gross profit margins for the years ended 31 December 2017 and 2018, the Products sold by Hengxin (Jiangsu) to Suzhou

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Hengli under the Existing 2016 Products Sales Master Agreement were at prices no more favourable than those for the same Products sold to other third party customers at a material time and the gross profit margins generated from the sales of the Products to Suzhou Hengli for the years ended 31 December 2017 and 2018 were approximately 32.98% and 37.92%, respectively. Moreover, 10% gross profit margin in respect of an order would be the benchmark below which it may or may not generate profit to the Group, depending on the other income and general expenses (including income tax expenses, if any) of the Group. In the event where Hengxin (Jiangsu) receives an order which can only generate a gross profit margin of less than 10%, the sales department will seek approval from the general manager who will assess, by taking into account of the estimated related costs and expenses payable, and decide whether to approve acceptance of such order.

In order to ensure compliance with the pricing terms under the 2019 Products Sales Master Agreement and that the annual caps thereunder will not be exceeded, the finance department of Hengxin (Jiangsu) is responsible for monitoring the transactions contemplated under the 2019 Products Sales Master Agreement and the aggregate transaction amount, and will report to the management on a monthly basis. The management will then report to the Board on a quarterly basis.

By implementing the above policy, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control to ensure that the pricing basis for the Products supplied by Hengxin (Jiangsu) to Suzhou Hengli under the 2019 Products Sales Master Agreement will be in accordance with the terms under the agreement, on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

4. REASONS FOR ENTERING INTO THE CCT AGREEMENTS

Hengxin (Jiangsu) has been purchasing the Raw Materials from Suzhou Hengli and selling the Products to Suzhou Hengli since December 2008 under the relevant purchase master agreements or sales master agreements. The purposes of entering into the CCT Agreements are to renew the term of each of the Existing 2016 Raw Materials Purchase Master Agreement and the Existing 2016 Products Sales Master Agreement for another three years up to 31 December 2022 and to revise the annual caps for the transactions contemplated thereunder, in order to ensure the continuation of the on-going purchase and sales transactions between Hengxin (Jiangsu) and Suzhou Hengli under the Existing 2016 Raw Materials Purchase Master Agreement and the Existing 2016 Products Sales Master Agreement.

Suzhou Hengli belongs to part of the group of companies under Hengtong Optic-Electric which is in the business of telecommunications. As part of the Group's plans to expand its revenue stream and sources of supplies, the Group intends to work closely with Suzhou Hengli in respect of its sourcing of raw materials and the sales of its products. The Board believes that it is for the benefit of the Group to continue sourcing raw materials from Suzhou Hengli and selling its products to Suzhou Hengli.

Under the respective CCT Agreements, the Group is not committed to purchasing any Raw Materials from Suzhou Hengli or selling any Products to Suzhou Hengli but if any transaction is entered into between the parties, all such transactions will be on normal commercial terms and on terms no less favourable than those offered by any Independent Third Parties (in respect of the purchase of the Raw Materials from Suzhou Hengli) or on terms no more favourable than those offered to any Independent Third Parties (in respect of the sales of the Products to Suzhou Hengli). The renewal of the CCT Agreements will therefore

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give the Group flexibility to purchase the Raw Materials it requires from Suzhou Hengli or sell its Products to Suzhou Hengli if it so wishes at competitive market prices. In addition, taking into consideration of (i) the continued improvement in the quality of the Raw Materials provided by Suzhou Hengli; (ii) the expected increase in the overall purchase of the Raw Materials from Suzhou Hengli; (iii) the expected increase in the overall purchase of the Group's products by Suzhou Hengli in light of the sales and production capacities of Suzhou Hengli using the Products supplied by Hengxin (Jiangsu); and (iv) the trend of the historical transaction amounts under the respective CCT Agreements over the previous years, the Board proposes to increase the annual caps for the transactions under the CCT Agreements for the three years ending 31 December 2022.

5. INFORMATION OF THE GROUP AND SUZHOU HENGLI

The Group is one of the leading manufacturers of radio frequency coaxial cables series for mobile communications in the PRC.

Suzhou Hengli is a company incorporated in the PRC with limited liability and is in the principal business of manufacture and sales of metal plastic tape, aluminium plastic tape, polyethylene materials jacketing for radio frequency copper cables, and sales of communication cables, communication equipment and accessories.

6. CONNECTED RELATIONSHIP AND LISTING RULES IMPLICATIONS

Suzhou Hengli is wholly-owned by Hengtong Optic-Electric. Hengtong Optic-Electric is held as to approximately 15.66% by Hengtong Group, which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 58.7% and 41.3% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei (the Chairman, a non-executive Director and a substantial shareholder of the Company via his wholly-owned entity, Kingever). Separately, Mr. Cui Genliang directly owns approximately 14.95% of the share capital of Hengtong Optic-Electric and can control the composition of a majority of the board of directors of Hengtong Optic-Electric. In this regard, each of Mr. Cui Wei, Mr. Cui Genliang, Hengtong Group, Hengtong Optic-Electric and Suzhou Hengli is considered as a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

In compliance with Chapter 14A of the Listing Rules, the respective annual caps under the CCT Agreements are aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual caps for the CCT Agreements exceeds 5%, the CCT Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

In view of the connected relationship between Mr. Cui Wei, the Chairman and a non-executive Director, and Suzhou Hengli, Mr. Cui Wei has abstained from voting on the relevant board resolutions approving the CCT Agreements and the proposed annual caps thereunder.

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The Company has formed the Independent Board Committee to advise the Independent Shareholders with respect to the CCT Agreements. The Company has also appointed Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

7. PROPOSED APPOINTMENT OF NEW AUDITOR IN HONG KONG

The Board proposes to appoint KPMG as the new Auditor in Hong Kong to fulfil the reporting requirements under the Listing Rules and the FRCO effective on 1 October 2019.

Currently, KPMG LLP has been appointed as the registered Auditor in Singapore pursuant to the ordinary resolution duly passed at the Company's annual general meeting held on 26 April 2019. Pursuant to section 20ZB of the FRCO, KPMG LLP is regarded as an overseas auditor and must first be recognized by the Financial Reporting Council in Hong Kong before KPMG LLP can undertake any audit engagement for the Company for the financial year ending 31 December 2019. In order to streamline the future auditing arrangement of the Company and not to be bound by the requirements of the FRCO, the Board proposes that KPMG be appointed as the new Auditor in Hong Kong to fulfil the requirements of the Listing Rules and the FRCO. As such, KPMG LLP will remain as the Company's registered Auditor in Singapore and there is no change in KPMG LLP's current appointment.

The financial statements of the Company to be audited by KPMG LLP are prepared in accordance with the Singapore Financial Reporting Standards (International) issued by the Accounting Standards Council while the financial statements of the Company to be audited by KPMG are prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Such audit arrangement will therefore fulfil the relevant requirements under the Singapore Companies Act, the Listing Rules and FRCO.

The Board proposes, with the recommendation from the audit committee of the Company, to appoint KPMG as the new Auditor in Hong Kong and to hold office until conclusion of the next annual general meeting of the Company.

An ordinary resolution will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve the appointment of KPMG as the new Auditor in Hong Kong and to hold office until conclusion of the next annual general meeting of the Company.

8. EGM

The Company will convene the EGM for purposes of, among other things, seeking approval from (i) the Independent Shareholders with respect to the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps), and (ii) the Shareholders with respect to the proposed appointment of KPMG as the new Auditor in Hong Kong.

A notice convening the EGM to be held at 11 a.m. on Tuesday, 17 December 2019 at Room D, 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong is set out on pages 38 to 40 of this circular.

LETTER FROM THE BOARD

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this circular a proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon to arrive at the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 (for Singapore Shareholders), or to the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) as soon as possible and in any event not later than forty-eight (48) hours before the time fixed for the EGM (or at any adjournment thereof). Completion and return of a proxy form by a Shareholder will not preclude a Shareholder from attending and voting in person at the EGM (or at any adjournment thereof) should he/she so wish. In such event, the relevant proxy form shall be deemed to be revoked.

Pursuant to Article 59 of the Constitution of the Company and Rule 13.39(4) of the Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by way of poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions to be proposed at the EGM will be voted by way of poll by the Shareholders or the Independent Shareholders (as the case may be).

As at the Latest Practicable Date, Kingever, a substantial shareholder of the Company holding approximately 24.97% of the issued share capital of the Company, is wholly-owned by Mr. Cui Wei, the Chairman and a non-executive Director. In view of the interests of Mr. Cui Wei in the CCT Agreements, Kingever and its associates will abstain from voting on the relevant resolutions in relation to the CCT Agreements and the proposed annual caps thereunder at the EGM.

9. RECOMMENDATIONS

The Board (including the independent non-executive Directors whose opinions and recommendation, after considering the advice from Gram Capital, are set out in the section headed "Letter from the Independent Board Committee" in this circular) is of the view that each of the CCT Agreements is entered into in the ordinary and usual course of business of the Group and conducted on an arm's length basis and on normal commercial terms, the terms of each of the CCT Agreements (including the proposed annual caps) are fair and reasonable and the entering into of each of the CCT Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) recommends that the Independent Shareholders to vote in favour of the proposed resolutions in relation to the CCT Agreements and the proposed annual caps thereunder at the EGM.

The Board considers that the proposed appointment of KPMG as the Auditor is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the proposed resolution in relation to the appointment of KPMG as the Auditor at the EGM.

LETTER FROM THE BOARD

10. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 19 to 20 of this circular which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the CCT Agreements and the proposed annual caps thereunder.

Your attention is also drawn to the letter from Gram Capital as set out on pages 21 to 32 of this circular, which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the CCT Agreements as well as the principal factors and reasons considered by it in concluding its advice.

Your attention is also drawn to the additional information set out in the Appendix to this circular.

By Order of the Board
Hengxin Technology Ltd.

Cui Wei

Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the CCT Agreements and their respective proposed annual caps, which has been prepared for the purpose of incorporation in this circular.



HENGXIN TECHNOLOGY LTD. **亨鑫科技有限公司***

(carrying on business in Hong Kong as HX Singapore Ltd.)

(Incorporated in Singapore with limited liability)

(Stock Code: 1085)

22 November 2019

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RAW MATERIALS PURCHASE MASTER AGREEMENT AND PRODUCTS SALES MASTER AGREEMENT

We refer to the circular of the Company dated 22 November 2019 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, each of the CCT Agreements was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of each of the CCT Agreements (including the proposed annual caps) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of each of the CCT Agreements, the reasons and benefits of the entering into of the CCT Agreements as well as the advice of Gram Capital in relation to the CCT Agreements as set out on pages 21 to 32 of this Circular, we are of the opinion that each of the CCT Agreements was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of each of the CCT Agreements (including the proposed annual caps) and the transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps).

Yours faithfully,
Independent Board Committee

Mr. Tam Chi Kwan Michael
*Independent non-executive
Director*

Dr. Li Jun
*Independent non-executive
Director*

Mr. Pu Hong
*Independent non-executive
Director*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

22 November 2019

To: The independent board committee and the independent shareholders of Hengxin Technology Ltd.

Dear Sirs,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RAW MATERIALS PURCHASE MASTER AGREEMENT AND PRODUCTS SALES MASTER AGREEMENT

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder (the “CCTs”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 22 November 2019 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, in contemplation of the expiry of the Existing 2016 Raw Materials Purchase Master Agreement and the Existing 2016 Products Sales Master Agreement on 31 December 2019, on 10 October 2019, Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, and Suzhou Hengli entered into the CCT Agreements to renew them, each for a term of three years commencing from 1 January 2020 to 31 December 2022, and to revise the annual caps for the transactions contemplated thereunder.

With reference to the Board Letter, the CCTs constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules and the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps) are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising Mr. Tam Chi Kwan Michael, Dr. Li Jun and Mr. Pu Hong (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether each of the CCT Agreements was entered into in the ordinary and usual course

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of business of the Group and on normal commercial terms; (ii) whether the terms of each of the CCT Agreements (including the proposed annual caps) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the CCT Agreements and the transactions contemplated thereunder at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

As at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the CCTs. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 the 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 therein or the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Hengxin (Jiangsu), Suzhou Hengli or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the CCTs. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and

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economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the CCT Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the CCT Agreements

Information on the Group

With reference to the Board Letter, the Group is one of the leading manufacturers of radio frequency coaxial cables series for mobile communications in the PRC.

Set out below are the financial information of the Group for the two years ended 31 December 2018 and the six months ended 30 June 2019 as extracted and the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report") and the Company's interim report for the six months ended 30 June 2019 (the "2019 Interim Report"):

	For the six months ended 30 June 2019 (unaudited) RMB'000	For the year ended 31 December 2018 (audited) RMB'000	For the year ended 31 December 2017 (audited) RMB'000	Change from 2017 to 2018 %
Revenue	781,485	1,586,950	1,633,327	(2.84)
– Radio frequency coaxial cables	310,619	727,243	952,553	(23.65)
– Telecommunication equipment and accessories	179,769	359,018	441,687	(18.72)
– Antennas	241,915	433,103	205,463	110.79
– All other segments	49,182	67,586	33,624	101.01
Gross profit	188,133	376,929	346,626	8.74
Net profit for the period/year attributable to owners of the Company	73,430	118,276	114,057	3.70

As illustrated in the above table, the Group's revenue amounted to approximately RMB1,587 million for the year ended 31 December 2018 ("FY2018"), representing a decrease of approximately 2.84% as compared with the year ended 31 December 2017 ("FY2017"). With reference to the 2018

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Annual Report and as advised by the Directors, such decrease in revenue was mainly due to the decrease in sales for the segment of radio frequency coaxial cables and the segment of telecommunication equipment and accessories. The net profit attributable to owners of the Company for FY2018 slightly increased by approximately 3.70% as compared with that of FY2017. With reference to the 2018 Annual Report and as advised by the Directors, such increase was mainly due to the increased gross profit margin and other income.

Information on Suzhou Hengli

With reference to the Board Letter, Suzhou Hengli is a company incorporated in the PRC with limited liability and is in the principal business of manufacture and sales of metal plastic tape, aluminium plastic tape, polyethylene materials jacketing for radio frequency copper cables, and sales of communication cables, communication equipment and accessories. Suzhou Hengli is a connected person of the Company.

Reasons for and benefits for the CCT Agreements

With reference to the Board Letter, Hengxin (Jiangsu) has been purchasing the Raw Materials from Suzhou Hengli (the “**Raw Material Purchase**”) and selling the Products to Suzhou Hengli (the “**Products Sale**”) since December 2008 under the relevant purchase master agreements or sales master agreements. The purposes of entering into the CCT Agreements are to renew the term of each of the Existing 2016 Raw Materials Purchase Master Agreement and the Existing 2016 Products Sales Master Agreement for another three years up to 31 December 2022 and to revise the annual caps for the transactions contemplated thereunder, in order to ensure the continuation of the on-going purchase and sales transactions between Hengxin (Jiangsu) and Suzhou Hengli under the Existing 2016 Raw Materials Purchase Master Agreement and the Existing 2016 Products Sales Master Agreement.

Suzhou Hengli belongs to part of the group of companies under Hengtong Optic-Electric which is in the business of telecommunications. As part of the Group’s plans to expand its revenue stream and sources of supplies, the Group intends to work closely with Suzhou Hengli in respect of its sourcing of raw materials and the sales of its products.

Under the respective CCT Agreements, the Group is not committed to purchasing any Raw Materials from Suzhou Hengli or selling any Products to Suzhou Hengli but if any transaction is entered into between the parties, all such transactions will be on normal commercial terms and on terms no less favourable than those offered by any Independent Third Parties (in respect of the purchase of the Raw Materials from Suzhou Hengli) or on terms no more favourable than those offered to any Independent Third Parties (in respect of the sales of the Products to Suzhou Hengli). We therefore concur with the Directors’ views that the renewal of the CCT Agreements will give the Group flexibility to purchase the Raw Materials it requires from Suzhou Hengli or sell its Products to Suzhou Hengli if it so wishes at competitive market prices.

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Having also considered that (i) the Raw Materials are purchased for the Group's production of radio frequency coaxial cables which is the Group's largest segment in terms of revenue contribution; and (ii) the Products include products from all of the Group's segments, we concur with the Directors that the CCTs are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the CCT Agreements

2019 Raw Materials Purchase Master Agreement

The tables below summarise the major terms of the 2019 Raw Materials Purchase Master Agreement:

Date:	10 October 2019
Parties:	(i) Hengxin (Jiangsu) as the purchaser (ii) Suzhou Hengli as the supplier
Subject matter:	Pursuant to the 2019 Raw Materials Purchase Master Agreement, Suzhou Hengli will supply metal plastic tape, aluminium plastic tape and other raw materials for production of radio frequency coaxial cables to Hengxin (Jiangsu) (i.e. the Raw Materials), on terms no less favourable than those offered to any Independent Third Parties. It is also agreed under the 2019 Raw Materials Purchase Master Agreement that Hengxin (Jiangsu) may purchase the Raw Materials from any third party in the event where such third party offers such raw materials with better quality and/or at a better price.
Term:	The 2019 Raw Materials Purchase Master Agreement is for a term of three years commencing from 1 January 2020 to 31 December 2022 and such term may be renewed by mutual agreement, subject to the requirements under the Listing Rules at that time.

Purchase price

With reference to the Board Letter, as a pre-condition with respect to the quality meeting the requirements of the Group, the purchase price shall be determined in accordance with the following basis: (a) Suzhou Hengli submits its tender price through the tender process conducted by Hengxin

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(Jiangsu); and (b) if there is no tender process, the purchase price shall be a fair price to be negotiated and agreed between the parties having regard to the fair market price for the same or similar type of the raw materials provided by Independent Third Parties in Jiangsu Province or the regions nearby.

As advised by the Directors, the Raw Materials purchase price was determined through tender process conducted by Hengxin (Jiangsu) during 2017 to 2019. For our due diligence purpose, we obtained certain tender evaluation forms and noticed that (i) tenders from various suppliers (including Suzhou Hengli and Independent Third Parties) were evaluated based on various factors such as tender price and product quality, timely delivery or other logistics/service-related factors; (ii) based on the evaluation factors, an overall score was awarded to each tender; and (iii) Hengxin (Jiangsu) might select multiple suppliers with the highest and near highest scores as suppliers. Nothing from the aforesaid documents came to our attention that caused us to believe that the Raw Materials purchase price was not comply with the pricing principle as stated above.

The Group's pricing policy is set out under the section headed "Pricing policy (tender process and procedures for determining the fair price)" of the Board Letter (the "**Purchase Pricing Policy**"). We consider that the effective implementation of the Purchase Pricing Policy would help to ensure fair pricing of the Raw Material Purchase.

With reference to the 2018 Annual Report and as confirmed by the Directors, the independent non-executive Directors reviewed the CCTs conducted during FY2018 (the "**INED Review**") and confirmed that such CCTs have been entered into: (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole (the "**INED Confirmation**").

The Company's auditors were also engaged to report on the CCTs conducted during FY2018 in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board received a letter from the auditors which confirmed the matters required under Rule 14A.56 of the Listing Rules (the "**Auditors Confirmation**").

The annual caps under the 2019 Raw Materials Purchase Master Agreement

Set out below are (i) the existing annual caps for the transactions under the Existing 2016 Raw Materials Purchase Master Agreement and the historical transaction amounts thereunder; and (ii) the proposed annual cap (the "**Purchase Cap(s)**") for the transactions under the 2019 Raw Materials Purchase Master Agreement for the three years ending 31 December 2022:

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	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical transaction amount	43,984,561	23,419,912	23,326,978 <i>(Note)</i>
Existing annual cap	50,000,000	50,000,000	50,000,000
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed annual cap	50,000,000	50,000,000	50,000,000

Note: The historical transaction amount for the nine months ended 30 September 2019.

With reference to the Board Letter, the Purchase Caps for the three years ending 31 December 2022 were determined with reference to (i) the historical transaction amounts; (ii) the prevailing market price of the Raw Materials; (iii) the possible increase in the purchase price taking into account of the estimated PRC inflation rate of approximately 2% for the years 2020 to 2022; (iv) the expected production and sales of radio frequency coaxial cables and leaky coaxial cables, both of which are the Group's products and can be widely used in the telecommunications in areas including but not limited to subways, railways, tunnels, underground mines, buildings and mobile surveillance system, etc. given the expected increase in the demand for leaky coaxial cables in the market in the coming few years; and (v) the expected increase in the purchase of the Raw Materials supplied by Suzhou Hengli given the continuing improved quality.

We noted that the utilisation of the historical cap for FY2017 reached approximately 88%. Nevertheless, the utilisation of the historical cap for FY2018 only reached approximately 47% only. As advised by the Directors, such low utilisation rate was mainly due to the fact that the demand for radio frequency coaxial cable shrunk as a result of weakening 4G telecommunication investment with 5G telecommunication not being formally launched (decrease in demand for the Group's products led to decrease in Raw Materials Purchase for production).

With reference to the 2019 Interim Report, with the first commercial year (2019) of 5G products officially seen in the PRC upon the grant of 5G license, the great development of the 5G industry will benefit the Group in every aspect. Over the past years, the Group has been increasing the research and development of 5G technology, and actively preparing 5G-related products, especially those products with huge future market demand. Accordingly, the Raw Materials Purchase amount recovered in 2019. The Raw Materials Purchase amount during the nine months ended 30 September 2019 was close to the Raw Materials Purchase amount during FY2018.

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During the third quarter of 2019, the Group conducted Raw Materials Purchase of approximately RMB13 million, representing approximately 57% of the total Raw Materials Purchase during the nine months ended 30 September 2019. The Group also estimated that the Raw Materials Purchase amount may reach approximately RMB42 million for the year ending 31 December 2019.

As advised by the Directors, the Raw Materials Purchase amount for the three years ending 31 December 2022 may fluctuate according to the demand of the Group's products. Nevertheless, the Company expects that the Raw Materials Purchase amount during each of the three years ending 31 December 2022 will be within RMB50 million. Accordingly, the Purchase Caps for the three years ending 31 December 2022 were set at the same level (i.e. RMB50 million per annum) as the Purchase Caps for the three years ending 31 December 2019.

In light of the above, we consider that the Purchase Caps for the three years ending 31 December 2022 are fair and reasonable.

Shareholders should note that as the Purchase Caps for the three years ending 31 December 2022 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of purchase costs to be incurred from the Raw Materials Purchase. Consequently, we express no opinion as to how closely the actual purchase costs to be incurred from the Raw Materials Purchase will correspond with the Purchase Caps.

Having considered the pricing of the Raw Materials Purchase and the Purchase Caps for the three years ending 31 December 2022 as aforementioned, we are of the view that the terms of the Raw Material Purchase under the 2019 Raw Materials Purchase Master Agreement is on normal commercial terms and is fair and reasonable.

2019 Products Sales Master Agreement

The tables below summarise the major terms of 2019 Products Sales Master Agreement:

Date:	10 October 2019
Parties:	(i) Hengxin (Jiangsu) as the supplier (ii) Suzhou Hengli as the purchaser

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Subject matter:

Pursuant to the 2019 Products Sales Master Agreement, Hengxin (Jiangsu) will provide the Group's products, such as radio frequency coaxial cable series for mobile communications, telecommunications equipment and accessories, high temperature resistant cables and antennas (i.e. the Products) to Suzhou Hengli, on terms no more favourable than those offered to any Independent Third Parties.

It is also agreed under the 2019 Products Sales Master Agreement that Suzhou Hengli will give priority to Hengxin (Jiangsu) for purchase of the Products over other third parties under the same sales conditions.

Term:

The 2019 Products Sales Master Agreement is for a term of three years commencing from 1 January 2020 to 31 December 2022 and such term may be renewed by mutual agreement, subject to the requirements under the Listing Rules at that time.

Selling price

Pursuant to the 2019 Products Sales Master Agreement, the selling price shall be a fair price to be negotiated and agreed between the parties having regard to the gross profit margin expected to be generated to Hengxin (Jiangsu) from the transaction.

The Group's pricing policy is set out under the section headed "Pricing policy" of the Board Letter (the "**Sale Pricing Policy**"). We consider that the effective implementation of the Sale Pricing Policy would help to ensure fair pricing of the Products Sale.

For our due diligence purpose, we obtained certain invoices relating to the sale of the Products by the Group to Suzhou Hengli and Independent Third Parties during 2017-2019. Based on the aforesaid documents as provided by the Company, we noted that the selling prices offered by the Group to Suzhou Hengli were not less than the selling prices offered to Independent Third Parties for the same products.

As aforementioned, (i) the independent non-executive Directors conducted the INED Review and provided the INED Confirmation regarding the CCTs conducted during FY2018; and (ii) the Company's auditors provided the Auditors Confirmation regarding the CCTs conducted during FY2018.

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The annual caps under the 2019 Products Sales Master Agreement

Set out below are (i) the existing annual caps for the transactions under the Existing 2016 Products Sales Master Agreement and the historical transaction amounts thereunder; and (ii) the proposed annual cap (the “**Sales Cap(s)**”) for the transactions under the 2019 Products Sales Master Agreement for the three years ending 31 December 2022:

	For the year ended 31 December 2017	For the year ended 31 December 2018	For the year ending 31 December 2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Historical transaction amount	6,767,492	5,998,494	7,522,350 <i>(Note)</i>
Existing annual cap	10,000,000	10,000,000	10,000,000
	For the year ending 31 December 2020	For the year ending 31 December 2021	For the year ending 31 December 2022
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Proposed annual cap	10,000,000	10,000,000	10,000,000

Note: The historical transaction amount for the nine months ended 30 September 2019.

With reference to the Board Letter, the proposed Sales Caps for the three years ending 31 December 2022 were determined with reference to (i) the historical transaction amounts; (ii) the prevailing market price of the Products; (iii) the possible increase in the selling price taking into account of the estimated PRC inflation rate of approximately 2% for the years 2020 to 2022; (iv) the production capacity of the Group; (v) the sales capacity of Suzhou Hengli and the expected increase in the purchase of the Products supplied by Hengxin (Jiangsu) in the coming few years; and (vi) the expected increase in the demand of the Products in the market in light of the possible positive effects of the gradual commercialization of 5G telecommunication in the next few years.

We noted that the utilisation of the historical cap for FY2018 reached approximately 60%, representing a decrease of approximately 8 percentage points as compared to that for FY2017. As advised by the Directors, the said decrease in utilisation rate was mainly due to the fact that the demand for the Products by Suzhou Hengli shrunk as a result of weakening 4G telecommunication investment with 5G telecommunication not being formally launched (Suzhou Hengli demanded less Products to serve its group’s telecommunication operators clients).

Despite the decrease in utilisation rate of the Sale Cap for FY2018 as compared to that for FY2017, the Products Sale amount for the nine months ended 30 September 2019 reached approximately 75% of the Sale Cap for the year ending 31 December 2019. As advised by the Directors, the recovery in Products Sale amount in 2019 was mainly due to the expected commercialization of 5G telecommunication in 2019 which led to recovery on demand for the

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Products. Having taken into account the outstanding order placed/to be placed by Suzhou Hengli (the “**Outstanding Orders**”), the Company expects the Products Sale amount for the year ending 31 December 2019 to be close to the Sale Cap of RMB10 million. For our due diligence purpose, we obtained a list of Outstanding Orders with relevant copies of invoices for orders placed and email correspondence between Hengxin (Jiangsu) and Suzhou Hengli for orders to be placed; and noted that the amount of Outstanding Orders was around RMB2.3 million. Accordingly, the Products Sale amount for the year ending 31 December 2019 (including historical amount of approximately RMB7.5 million for the nine months ended 30 September 2019) will be close to but not exceeding the Sale Cap of RMB10 million.

As advised by the Directors, the Products Sale amount for the three years ending 31 December 2022 may fluctuate according to the Suzhou Hengli’s demand of the Products. Nevertheless, the Company expects that the Products Sale amount during each of the three years ending 31 December 2022 will be within RMB10 million. Accordingly, the Sale Caps for the three years ending 31 December 2022 were set at the same level (i.e. RMB10 million per annum) as the Sale Caps for the three years ending 31 December 2019.

In light of the above, we consider that the Sale Caps for the three years ending 31 December 2022 are fair and reasonable.

Shareholders should note that as the Sale Caps for the three years ending 31 December 2022 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of revenue to be generated from the Products Sale. Consequently, we express no opinion as to how closely the actual revenue to be generated from the Products Sale will correspond with the Sale Caps.

Having considered the pricing of the Products Sale and the Sale Caps for the three years ending 31 December 2022 as aforementioned, we are of the view that the terms of the Products Sale under the 2019 Raw Materials Purchase Master Agreement is on normal commercial terms and is fair and reasonable.

3. Listing Rules implication

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the CCTs must be restricted by the Purchase Caps and the Sales Caps for the period concerned under the CCT Agreements; (ii) the terms of the CCT Agreements must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors’ annual review on the terms of the CCT Agreements must be included in the Company’s subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the CCTs (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group (only applicable to the Products Sale); (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Purchase Caps/Sales Caps. In the event that the total amounts of the CCTs exceed the Purchase

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Caps/Sales Caps, or that there is any material amendment to the terms of the CCT Agreements, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the CCTs and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the CCTs under the CCT Agreements are on normal commercial terms and are fair and reasonable; and (ii) the CCTs under the CCT Agreements are conducted in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the CCT Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

2. DISCLOSURE OF INTERESTS

A. Directors' or chief executives' interests in the securities and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the Directors and chief executives of the Company were, or were taken or deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer, to be notified to the Company and the SEHK are as follows:

Name of Director	Capacity	Number of Shares (Long position)	Approximate percentage of issued share capital of the Company
Mr. Cui Wei ^{Note 1}	Interest in controlled corporation	90,868,662	24.97%
Ms. Zhang Zhong ^{Note 2}	Interest in controlled corporation	28,082,525	7.24%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%

Notes:

- Mr. Cui Wei, the Chairman and non-executive Director of the Company, beneficially owns the entire share capital of Kingever and accordingly is deemed to be interested in the Shares as held by Kingever by virtue of the SFO.

2. Ms. Zhang Zhong, the non-executive Director of the Company, beneficially owns the entire share capital of Wellahead Holdings Limited (“Wellahead”) and accordingly is deemed to be interested in the Shares as held by Wellahead by virtue of the SFO.

Name of Director	Capacity	Number of Shares (Short position)	Approximate percentage of issued share capital of the Company
Ms. Zhang Zhong ^{Note 1}	Interest in controlled corporation	12,000,000	3.09%

Note:

1. Ms. Zhang Zhong is deemed to have short position in the Company through her interest in the entire issued share capital of Wellahead.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company has an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer, to be notified to the Company and the SEHK.

B. Persons who have interests or short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors and save as disclosed in the section headed “Directors’ or chief executives’ interests in the securities and debentures of the Company and its associated corporations” above, the following parties, had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the SEHK under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Capacity	Number of Shares (Long position)	Approximate percentage of issued share capital of the Company
Kingever ^{Note 1}	Beneficial owner	90,868,662	24.97%
Wellahead ^{Note 2}	Beneficial owner	28,082,525	7.24%

Notes:

1. Kingever is a company incorporated in the British Virgin Islands, the entire share capital of which is wholly and beneficially owned by Mr. Cui Wei, the Chairman and non-executive Director of the Company.
2. Wellahead is a company incorporated in the British Virgin Islands, the entire share capital of which is wholly and beneficially owned by Ms. Zhang Zhong, the non-executive Director of the Company.

Name of Shareholder	Capacity	Number of Shares (Short position)	Approximate percentage of issued share capital of the Company
Wellahead ^{Note 1}	Beneficial owner	12,000,000	3.09%

Note:

1. Wellahead is a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Ms. Zhang Zhong.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, no other person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTEREST

As at the Latest Practicable Date, the Directors were not aware that any of them or any of their respective close associates (as defined in the Listing Rules) had any interest in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosed under Rule 8.10 of the Listing Rules.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest audited consolidated financial statements of the Company were made up.

6. MATERIAL CONTRACTS

No material contract (not being contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years preceding the Latest Practicable Date:

7. EXPERT AND CONSENT

Gram Capital is a corporation licensed to conduct Type 6 (advising on corporate finance) regulated activity under the SFO.

Gram Capital has confirmed that as at the Latest Practicable Date, it did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Gram Capital has given and has not withdrawn its written consent to the issue of this circular with reference to its name and inclusion of its letter in the form and context in which they appear herein.

As at the Latest Practicable Date, Gram Capital did not have any interest, directly or indirectly, in any assets which had been, since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

8. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which had been, since 31 December 2018, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group, and none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant to the business of the Group.

9. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Ms. Wong Jing Ting, Renee, who is a qualified company secretary in Singapore, and Mr. Lai Yang Chau, Eugene, who is a solicitor in Hong Kong.
- (b) The Company's principal share registrar and transfer office in Singapore is Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 and the Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours from Monday to Friday (other than public holidays) at the principal place of business of the Company in Hong Kong at Unit 708A, 7/F., Tower 1, Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road, Lai Chi Kok, Kowloon, Hong Kong from the date of this circular up to the date of the EGM (both days inclusive):

- (a) the Constitution of the Company;
- (b) the 2019 Raw Materials Purchase Master Agreement;
- (c) the 2019 Products Sales Master Agreement;
- (d) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 of this circular;
- (e) the letter from Gram Capital, the text of which is set out on pages 21 to 32 of this circular;
- (f) the written consent from Gram Capital referred to in the section headed “7. Expert and Consent” in this appendix;
- (g) the contracts referred to in the section headed “6. Material Contracts” in this appendix;
- (h) the annual reports of the Company for the two years ended 31 December 2017 and 2018; and
- (i) this circular.

NOTICE OF EXTRAORDINARY GENERAL MEETING



HENGXIN TECHNOLOGY LTD. 亨鑫科技有限公司*

(carrying on business in Hong Kong as HX Singapore Ltd.)

(Incorporated in Singapore with limited liability)

(Stock Code: 1085)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “**Meeting**”) of Hengxin Technology Ltd. (the “**Company**”) will be held at 11 a.m., on Tuesday, 17 December 2019 at Room D, 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. The Meeting will be convened for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions:

Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 22 November 2019.

AS ORDINARY RESOLUTIONS

1. To approve and confirm the 2019 Raw Materials Purchase Master Agreement dated 10 October 2019 entered into between Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, as purchaser, and Suzhou Hengli, as supplier (a copy of which shall be produced at the meeting marked “A” for identification purpose) and the terms and conditions thereof, and the transactions contemplated thereunder (including the proposed annual cap for each of the three years ending 31 December 2020, 2021 and 2022) and the performance and implementation thereof;
2. To approve and confirm the 2019 Products Sales Master Agreement dated 10 October 2019 entered into between Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, as supplier, and Suzhou Hengli, as purchaser (a copy of which shall be produced at the meeting marked “B” for identification purpose) and the terms and conditions thereof, and the transactions contemplated thereunder (including the proposed annual cap for each of the three years ending 31 December 2020, 2021 and 2022) and the performance and implementation thereof;
3. To approve, ratify and confirm the authorisation to any one director of the Company (“**Director**”) and on behalf of the Company, among other things, to sign, execute, perfect and/or deliver or to authorise signing, executing, perfecting and/or delivering (and to affix the Company’s common seal to, if necessary, in accordance with the Constitution of the Company) the 2019 Raw Materials Purchase Master Agreement and 2019 Products Sales Master

* For identification purpose only

NOTICE OF EXTRAORDINARY GENERAL MEETING

Agreement (collectively, the “**CCT Agreements**”) and all such documents, instruments, agreements or deeds and to do or authorise doing all such other acts or things which he/she may in his/her discretion consider necessary, expedient or desirable in connection with or incidental to any of the matters contemplated under the CCT Agreements and the respective annual caps thereunder or to give effect to and implement the CCT Agreements, and to waive compliance from or make and agree such variations of a non-material nature to the terms of the CCT Agreements that the Directors may in their discretion consider to be desirable and in the interests of the Company and Shareholders as a whole and all the Directors’ acts as aforesaid; and

4. To appoint KPMG as the new auditor of the Company in Hong Kong and to authorise the board of Directors to fix their remuneration.

By order of the Board
Hengxin Technology Ltd.
Cui Wei
Chairman

Singapore, 22 November 2019

Notes:

1. A member of the Company (the “**Member**”) entitled to attend and vote at the Meeting is entitled to appoint no more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member. Where a Member appoints more than one (1) proxy, the Member shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
2. The instrument appointing a proxy, and if the instrument appointing a proxy is signed by an attorney, the letter or power of attorney or a duly certified copy thereof, must be deposited at the Company’s Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 (for Singapore Shareholders), or at the office of the Company’s Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (for Hong Kong Shareholders), as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the Meeting (or at any adjournment thereof).
3. If the Member is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. A depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act) of the Company and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his/her behalf, or if such depositor is a corporation, should complete the depositor proxy form under seal or the hand of its duly authorised officer or attorney and lodge the same at the office of the Company’s Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 as soon as possible and in any event, not later than forty-eight (48) hours before the time appointed for the Meeting (or at any adjournment thereof).
5. Completion and return of the proxy form will not preclude a Member from attending and voting in person at the Meeting or any adjournment thereof should he/she so wish, and in such event, the proxy form shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. The Principal Share Registrar and Branch Share Registrar of the Company will be closed from Monday, 9 December 2019 to Tuesday, 17 December 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 (for Singapore Shareholders), or at the office of the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) not later than 4: 30 p.m. on Friday, 6 December 2019.