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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 Republic of Singapore with limited liability)  
(Stock Code: 1085)*

### **CONTINUING CONNECTED TRANSACTION**

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The Board is pleased to announce that on 1 January 2023, Hengxin Metaverse as lessor entered into the Server Leasing Agreement with Shanghai Zhangyu as lessee in relation to the leasing of the Servers for a term of three years commencing from 1 January 2023 to 31 December 2025.

#### **LISTING RULES IMPLICATIONS**

Shanghai Zhangyu is held as to 51% indirectly by the Company, approximately 39% indirectly by Mr. Peng Yinan, an executive Director, and approximately 10% by an independent third party. As Mr. Peng Yinan indirectly holds more than 30% interest in Shanghai Zhangyu, it is an associate of Mr. Peng Yinan and a connected person of the Company. Therefore, the transaction contemplated under the Server Leasing Agreement constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As the Annual Caps are less than HK\$10,000,000, and each of the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules was less than 25%, the transactions contemplated under the Server Leasing Agreement were subject to the reporting and announcement requirements but were exempt from the circular, independent financial advice and Shareholders' approval requirements.

#### **THE SERVER LEASING AGREEMENT**

The Board is pleased to announce that on 1 January 2023, Hengxin Metaverse entered into the server leasing agreement with Shanghai Zhangyu in relation to the leasing of the Servers (the “**Server Leasing Agreement**”).

The principal terms of the Server Leasing Agreement are:

- Date: 1 January 2023
- Parties: (1) Hengxin Metaverse; and  
(2) Shanghai Zhangyu
- Terms: Three years commencing from 1 January 2023 to 31 December 2025
- Nature of the transaction: Hengxin Metaverse shall lease the Servers to Shanghai Zhangyu
- Consideration: A monthly rent of HK\$700,000, subject to an annual adjustment of not more than 5%
- Payment terms: The rent shall be paid by Shanghai Zhangyu to Hengxin Metaverse on the fifth-last Business Day each quarter, failing which, Shanghai Zhangyu shall pay interest on the unpaid rent on a daily basis at the rate of 0.015%
- Additional terms:
- (1) The Servers shall be placed in the Data Centre. Shanghai Zhangyu shall not relocate the Servers or reconfigure the specifications of the Servers unless with the prior written approval of Hengxin Metaverse.
  - (2) Shanghai Zhangyu shall be responsible for the electricity expenses, network expenses, sundry expenses and other reasonable expenses incurred in relation to the use of the Servers.
  - (3) Shanghai Zhangyu shall subscribe for insurance for the benefits of Hengxin Metaverse against any damages caused to the Servers.
  - (4) Shanghai Zhangyu shall be at liberty to install software on the Servers and sub-lease the Servers to any independent third-parties approved by Shanghai Zhangyu, provided that the sub-lessee shall not store on the Servers any content that will constitute a breach of any laws and/or regulations.

- (5) Shanghai Zhangyu undertakes that the content stored in the Servers shall not contain any of the following:
- (a) Materials related to national secrets and security;
  - (b) Materials related to feudal superstition, pornography, gambles, violence and terror;
  - (c) Materials that are in contrary to national racial policies or religious policies; or
  - (d) Any materials that would harm social orders, social security, social and public morals, or legal rights of others.
- (6) During the terms of the Server Leasing Agreement, the Servers remain the property of Hengxin Metaverse. Shanghai Zhangyu shall not cause any encumbrances against the Servers.

Termination of the Server Leasing Agreement:

Hengxin Metaverse has the right to terminate the Server Leasing Agreement immediately if Shanghai Zhangyu (i) breaches clauses (4), (5) and (6) set out in the “Additional terms” section in this announcement; or (ii) fails to pay the unpaid rent after 30 calendar days from the original due date.

## ANNUAL CAPS AND BASIS OF DETERMINATION

The annual caps of the annual rent (the “**Annual Rent**”) payable to Hengxin Metaverse for the years ending 31 December 2023, 2024, and 2025 (the “**Annual Caps**”) are set out below:

	<b>For the year ending</b>		
	<b>31 December 2023</b>	<b>31 December 2024</b>	<b>31 December 2025</b>
Annual Caps	<u>HK\$8,400,000</u>	<u>HK\$8,820,000</u>	<u>HK\$9,261,000</u>

The Annual Caps were determined with reference to (i) the prevailing market price of cloud computing services and financial solutions; (ii) the running costs and potential costs of maintenance of the Servers; and (iii) the expected upward adjustments in the rent for the years ending 31 December 2024 and 31 December 2025.

As the Annual Caps are less than HK\$10,000,000, and each of the applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules was less than 25%, the transactions contemplated under the Server Leasing Agreement were subject to the reporting and announcement requirements but were exempt from the circular, independent financial advice and Shareholders' approval requirements.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SERVER LEASING AGREEMENT**

One of the principal business of Shanghai Zhangyu is the provision of information security service, which includes provision of cloud computing and cloud storage services. It has established clientele since its establishment. By entering into the Server Leasing Agreement, it is expected that Hengxin Metaverse, together with the Company, can secure a fixed income stream from leasing the Servers to Shanghai Zhangyu, which will ultimately sub-lease the cyberspace in the Servers to its clients. At the same time, it is beneficial for Shanghai Zhangyu to directly provide services to its customers by using its proprietary cloud storage and cloud computing technology, with the aim to expand its scope of business and broaden its income stream. The Board considers that this could be a win-win situation for Hengxin Metaverse, Shanghai Zhangyu, and the Group.

## **DIRECTORS' CONFIRMATION IN RESPECT OF THE SERVER LEASING AGREEMENT**

The Directors (including the independent non-executive Directors) consider that the terms of the Server Leasing Agreement (including the Annual Caps) are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Having considered the material interest of Mr. Peng Yinan under the Server Leasing Agreement, Mr. Peng Yinan has abstained from voting on the resolutions of the Board approving the Server Leasing Agreement and the transactions contemplated thereunder. Save as disclosed above, to the best of knowledge of the Directors having made all reasonable enquiries, none of the other Directors has a material interest in the Server Leasing Agreement and the transactions contemplated thereunder and thus, was required to abstain from voting on the resolutions of the Board approving the Server Leasing Agreement and the transactions contemplated thereunder.

## **INFORMATION OF THE PARTIES**

The Company is an investment holding company. The Group is principally engaged in the research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment.

Hengxin Metaverse is a company incorporated under the laws of Hong Kong with limited liability, and is an indirect wholly-owned subsidiary of the Company. It principally engages in investment holding and the provision of cloud computing services and rental of servers.

Shanghai Zhangyu is held as to 51% indirectly by the Company, approximately 39% indirectly by Mr. Peng Yinan, an executive Director, and approximately 10% by an independent third party. As Mr. Peng Yinan indirectly holds more than 30% interest in Shanghai Zhangyu, it is an associate of Mr. Peng Yinan and a connected person of the Company.

## DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Business Day”	any day other than a Saturday, Sunday or other day on which commercial banks in the PRC, the British Virgin Islands or Hong Kong are required or authorized by law to be closed or on which a tropical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m. Hong Kong time.
“Board”	the Board of Directors
“Company”	Hengxin Technology Ltd., a company incorporated in Republic of Singapore with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1085)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Data Centre”	the data centre located at 2 Dai Hei Street, Tai Po Industrial Estate
“Director(s)”	director(s) of the Company
“Group”	collectively, the Company and its subsidiaries from time to time
“Hengxin Metaverse”	Hengxin Metaverse Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administration Region of the PRC
“independent third party(ies)”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Servers”	90 high performance servers located at the Data Centre, which is designated by Shanghai Zhangyu
“Shanghai Zhangyu”	Shanghai Zhangyu Information Technology Co., Ltd.* (上海掌御信息科技有限公司), a company established in the PRC with limited liability
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Singapore, 1 January 2023

*As at the date of this announcement, the executive directors of the Company are Mr. Du Xiping, Dr. Song Haiyan and Mr. Peng Yinan; the non-executive directors of the Company are Mr. Cui Wei and Ms. Zhang Zhong; and the independent non-executive Company are Mr. Tam Chi Kwan Michael, Dr. Li Jun and Mr. Pu Hong.*

\* *For identification purpose only*