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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)*

*(Singapore Company Registration Number 200414927H)*

**(Hong Kong Stock Code: 1085)**

**(Singapore Stock Code: I85)**

## **CHANGE IN USE OF PROCEEDS**

### **USE OF PROCEEDS**

Reference is made to the prospectus (the “**Prospectus**”) issued by Hengxin Technology Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 14 December 2010 in relation to the dual primary listing on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of placement and public offer (the “**Share Offer**”) and the announcement (the “**Announcement**”) dated 13 August 2012 in relation to the update on use of proceeds raised from the dual primary listing on the Stock Exchange.

As stated in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the Company intended to use net proceeds raised from the Share Offer (“**IPO Proceeds**”) as follows:

- approximately 9.1% of the IPO Proceeds will be used to further expand our sales network into overseas market;
- approximately 43.6% of the IPO Proceeds will be used to diversify our product portfolio to antennas;
- approximately 29.1% of the IPO Proceeds will be used to diversify our product portfolio to high temperature resistant cables (“**HTRC**”);
- approximately 9.1% of the IPO Proceeds will be used to enhance our research and development team; and
- approximately 9.1% of the IPO Proceeds will be used as general working capital of our Group.

As disclosed in the Announcement, as on 13 August 2012, the Company had utilized approximately RMB26.10 million of the IPO Proceeds, details of which are tabulated below:

Intended Use	IPO Proceeds		Used RMB'000	Balance RMB'000
	HKD'000	RMB'000 <sup>1</sup> <i>equivalent</i>		
Diversify product portfolio of HTRC	27,645	23,607	(2,130)	21,477
Diversify product portfolio of Antennas	41,420	35,370	(12,708)	22,662
Expansion of sales network into overseas market	8,645	7,382	(449)	6,933
Enhance research and development	8,645	7,382	(3,731)	3,651
General working capital	8,645	7,382	(7,083)	299
Total	<u>95,000</u>	<u>81,123</u>	<u>(26,101)</u>	<u>55,022</u>

### CHANGE IN USE OF PROCEEDS

As announced previously, the high cost of raw materials had a direct impact of materially eroding our profit margins and production of HTRC was temporarily suspended. The Group had since continued to monitor the situation and considered that the persistently high raw material prices do not present a viable business strategy at this present time. Since the Group is embarking in the antenna business and one of its HTRC products could be manufactured for use in antennas, the Company has resolved to reduce the scale of its HTRC manufacturing to strictly manufacture HTRC products for antenna usage. The production will mainly be focused on the supply of parts for the Group's antenna products, with a smaller scale of production allocated for sale to third parties. In view of the above development, the Company expects the required sum for financing the HTRC business will be less than that as initially planned. Furthermore, the credit tightening policies by the PRC government continues to put pressure on the Group's cash resources. Accordingly, the transfer of proceeds to working capital serves to partially alleviate this issue faced by the Group.

The Company considers that it is necessary to adjust the proposed use of the unutilized IPO Proceeds of approximately RMB21,477,000 originally allocated for the diversification of our product portfolio in HTRC to approximately RMB5,000,000, while the remaining balance of approximately RMB16,477,000 be reallocated as general working capital of the Company. The Company has resolved to change the proposed use of unutilized IPO Proceeds in the following manner:

Intended Use	IPO Proceeds		Used RMB'000	Balance RMB'000	Revised allocation RMB'000
	HKD'000	RMB'000 <sup>1</sup> <i>equivalent</i>			
Diversify product portfolio of HTRC	27,645	23,607	(2,130)	21,477	5,000
Diversify product portfolio of Antennas	41,420	35,370	(12,708)	22,662	22,662
Expansion of sales network into overseas market	8,645	7,382	(449)	6,933	6,933
Enhance research and development	8,645	7,382	(3,731)	3,651	3,651
General working capital	<u>8,645</u>	<u>7,382</u>	<u>(7,083)</u>	<u>299</u>	<u>16,776</u>
Total	<u>95,000</u>	<u>81,123</u>	<u>(26,101)</u>	<u>55,022</u>	<u>55,022</u>

1. The exchange rate used of HKD1: RMB0.853938 as on 23 December 2010 was based on the day the Company was successfully listed on the Stock Exchange.

The Board has considered the impact of the proposed change in the use of proceeds on the Group's business and is of the view that the reallocation of the unutilized IPO Proceeds will meet the financial needs of the Group more efficiently as a result of the latest development of the Group's operations and business. The Board believes that such flexibility in financial management is in the best interests of the Company and its shareholders as a whole.

By Order of the Board  
**Hengxin Technology Ltd.**  
**Cui Genxiang**  
*Executive Chairman*

Singapore, 9 October 2012

*As at the date of this announcement, the executive directors of the Company are Mr. Cui Genxiang and Mr. Xu Guoqiang; the non-executive director of the Company is Ms. Zhang Zhong; and the non-executive independent directors of the Company are Mr. Tay Ah Kong Bernard, Mr. Chee Teck Kwong Patrick and Mr. Tam Chi Kwan Michael.*

\* *for identification purpose only*