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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 Registration No.: 200414927H)*

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

**(Singapore Stock Code: I85)**

### CONTINUING CONNECTED TRANSACTION REVISED RAW MATERIALS PURCHASE MASTER AGREEMENT

Reference is made to the announcement of the Company dated 30 October 2014 in relation to the Raw Materials Purchase Master Agreement entered into between Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, and Suzhou Hengli on the same date, pursuant to which Suzhou Hengli agrees to supply metal plastic tape, aluminum plastic tape and other raw materials for production of radio frequency coaxial cables to Hengxin (Jiangsu) for the three years ending 31 December 2016.

#### REVISED RAW MATERIALS PURCHASE MASTER AGREEMENT

The Board announces that in order to meet the Group's needs, on 20 August 2015, Hengxin (Jiangsu) and Suzhou Hengli entered into the Revised Raw Materials Purchase Master Agreement to revise the annual caps for each of the years ending 31 December 2015 and 2016 in respect of the continuing connected transaction contemplated under the Raw Materials Purchase Master Agreement from RMB14,000,000 to RMB27,000,000 (equivalent to approximately HK\$32,530,120).

#### LISTING RULES IMPLICATIONS

Suzhou Hengli is wholly-owned by Hengtong Optic-Electric. Hengtong Optic-Electric is held as to approximately 11.23% by Hengtong Group, which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 90% and 10% respectively. Mr. Cui Genliang is the elder brother of Mr. Cui Genxiang, the Chairman and an executive Director of the Company, and the father of Mr. Cui Wei, a non-executive Director and a substantial shareholder of the Company. Separately, Mr. Cui Genliang directly owns approximately 19.34% 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 Genliang, Hengtong Group, Hengtong Optic-Electric and Suzhou Hengli is considered as a connected person of the Group under Rule 14A.07 of the Listing Rules. Accordingly, the transaction contemplated under the Revised Raw Materials Purchase Master Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the announcement and shareholders' approval requirements in respect of the Revised Raw Materials Purchase Master Agreement. As the applicable percentage ratios (other than the profit ratio) in respect of the Revised Raw Materials Purchase Master Agreement, on a standalone basis or in aggregate with the Products Sale Master Agreement entered into between Hengxin (Jiangsu) and Suzhou Hengli on 30 October 2014, on an annual basis, exceed 0.1% but are below 5%, the Revised Raw Materials Purchase Master Agreement is subject to the reporting, announcement and annual review requirements only but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **BACKGROUND**

Reference is made to the announcement of the Company dated 30 October 2014 in relation to the Raw Materials Purchase Master Agreement entered into between Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, and Suzhou Hengli on the same date, pursuant to which Suzhou Hengli agrees to supply metal plastic tape, aluminum plastic tape and other raw materials for production of radio frequency coaxial cables to Hengxin (Jiangsu) for the three years ending 31 December 2016.

## **REVISED RAW MATERIALS PURCHASE MASTER AGREEMENT**

### **Date**

20 August 2015

### **Parties**

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

Supplier: Suzhou Hengli, a connected person of the Group

### **Subject Matter**

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

### **Term**

The Revised Raw Materials Purchase Master Agreement is for a term commencing from 20 August 2015 up to 31 December 2016 and such term may be extended by mutual agreement, subject to the approval by the board of directors and/or shareholders of Hengxin (Jiangsu), Suzhou Hengli and/or the Company (if applicable) and any other requirements in accordance with the Listing Rules at that time.

## 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 as with all other suppliers who are Independent Third Parties; and
- (b) if there is no tender process, the purchase price shall be the lower of the followings:
  - (i) the fair market price for the raw materials 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; or
  - (ii) the purchase price as agreed between the parties provided that such agreed price shall be no more than the actual costs of selling the raw materials in the most recent year plus a margin of an agreed rate (which shall be no more than the rate of increase of the consumer price index of Jiangsu Province in the most recent year announced by Jiangsu Statistics Bureau) of such costs.

The Revised 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.

Save and except for the annual caps for the years ending 31 December 2015 and 2016, all other material terms of the Revised Raw Materials Purchase Master Agreement are substantially the same as those of the Raw Materials Purchase Master Agreement entered into between the parties on 30 October 2014.

### Existing annual caps and actual transaction amounts

The existing annual caps for the transactions under the Raw Materials Purchase Master Agreement for the three years ending 31 December 2016 and the actual transaction amounts under the Raw Materials Purchase Master Agreement for the year ended 31 December 2014 and the seven months ended 31 July 2015 are set out below:

	<b>Year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
Annual cap for the period pursuant to the Raw Materials Purchase Master Agreement	RMB14,000,000	RMB14,000,000	RMB14,000,000
		<b>Year ended 31 December 2014 (audited)</b>	<b>Seven months ended 31 July 2015 (unaudited)</b>
Actual transaction amount for the period		RMB9,216,000	RMB12,239,000

## **Revised annual caps for the years ending 31 December 2015 and 2016**

For each of the two years ending 31 December 2015 and 2016, the annual cap for the transactions under the Revised Raw Materials Purchase Master Agreement will be increased from RMB14,000,000 to RMB27,000,000 (equivalent to approximately HK\$32,530,120). The proposed revised annual caps are determined with reference to the historical transaction amounts, the prevailing market prices, expected production and sales of the Group, and production capacity using raw materials supplied by Suzhou Hengli.

### **REASONS FOR ENTERING INTO THE REVISED RAW MATERIAL PURCHASE MASTER AGREEMENT**

The Group has been purchasing raw materials from Suzhou Hengli since December 2008. 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 for the sale of its products. The Board believes that it is for the benefit of the Group to continue sourcing raw materials from Suzhou Hengli.

Similar to the Raw Materials Purchase Master Agreement (details of which were disclosed by the Company in its announcement dated 30 October 2014), the Group is not committed to purchase any raw materials from Suzhou Hengli under the Revised Raw Materials Purchase Master Agreement but if any sales transaction is entered into between the parties, all such sales transactions will be on normal commercial terms and on terms no less favourable than those offered by any Independent Third Parties.

In light of (i) the continued improvement in the quality of the products provided by Suzhou Hengli, (ii) the actual transaction amount for the seven months ended 31 July 2015 in respect of the Raw Materials Purchase Master Agreement nearly reaching the existing annual cap of RMB14,000,000 for the year, and (iii) the expected increase in the overall purchase of the raw materials from Suzhou Hengli by Hengxin (Jiangsu) due to more orders being received from customers during the year, it is expected that the existing annual caps for the years ending 31 December 2015 and 2016 under the Raw Materials Purchase Master Agreement may not be sufficient in satisfying the Group's current needs. As such, the Group proposes to revise the annual caps for the years ending 31 December 2015 and 2016 under the Raw Materials Purchase Master Agreement and entered into the Revised Raw Materials Purchase Master Agreement on 20 August 2015 so as to ensure that the Group will continue to have the flexibility to secure the steady supply of raw materials from Suzhou Hengli.

### **VIEW OF THE DIRECTORS ON THE CONTINUING CONNECTED TRANSACTION**

The Directors (including the independent non-executive Directors) consider that the Revised Raw Materials Purchase Master Agreement 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. Accordingly, the Directors (including the independent non-executive Directors) consider that the terms of the Revised Raw Materials Purchase Master Agreement are fair and reasonable and the entering into of the said agreement is in the interests of the Company and its shareholders as a whole.

## **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 sale of metal plastic tape, aluminum plastic tape, polyethylene materials jacketing for radio frequency copper cables, and sale of communication cables, communication equipment and accessories.

### **LISTING RULES IMPLICATIONS**

Suzhou Hengli is wholly-owned by Hengtong Optic-Electric. Hengtong Optic-Electric is held as to approximately 11.23% by Hengtong Group, which is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 90% and 10% respectively. Mr. Cui Genliang is the elder brother of Mr. Cui Genxiang, the Chairman and an executive Director of the Company, and the father of Mr. Cui Wei, a non-executive Director and a substantial shareholder of the Company. Separately, Mr. Cui Genliang directly owns approximately 19.34% 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 Genliang, Hengtong Group, Hengtong Optic-Electric and Suzhou Hengli is considered as a connected person of the Group under Rule 14A.07 of the Listing Rules. Accordingly, the transaction contemplated under the Revised Raw Materials Purchase Master Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the announcement and shareholders' approval requirements in respect of the Revised Raw Materials Purchase Master Agreement. As the applicable percentage ratios (other than the profit ratio) in respect of the Revised Raw Materials Purchase Master Agreement, on a standalone basis or in aggregate with the Products Sale Master Agreement entered into between Hengxin (Jiangsu) and Suzhou Hengli on 30 October 2014, on an annual basis, exceed 0.1% but are below 5%, the Revised Raw Materials Purchase Master Agreement is subject to the reporting, announcement and annual review requirements only but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Save for Mr. Cui Genxiang, the Chairman and an executive Director, and Mr. Cui Wei, a non-executive Director, none of the Directors has any material interest, direct or indirect, in the transaction contemplated under the Revised Raw Materials Purchase Master Agreement and therefore none of the Directors, except for Mr. Cui Genxiang and Mr. Cui Wei, was required to abstain from voting on the relevant resolution(s) of the Board to approve the Revised Raw Materials Purchase Master Agreement and the transaction contemplated thereunder.

### **DEFINITIONS**

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

“Board”	the board of Directors
“Company”	Hengxin Technology Ltd., a company incorporated in Singapore with limited liability and the shares of which are primarily listed on the Main Board of the Stock Exchange and secondarily listed on Singapore Exchange Securities Trading Limited

“connected person”	has the same meaning as given to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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 Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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 purposes of this announcement
“Products Sale Master Agreement”	the products sale master agreement dated 30 October 2014 entered into between Suzhou Hengli and Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, in relation to sale of products for a term up to 31 December 2016 with an annual cap of RMB6,000,000 for each of three years ending 31 December 2016, details of which were disclosed by the Company in its announcement dated 30 October 2014
“Raw Materials Purchase Master Agreement”	the raw materials purchase master agreement dated 30 October 2014 entered into between Suzhou Hengli and Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, in relation to the purchase of metal plastic tape, aluminium plastic tape and other raw materials by the Group for the three financial years ending 31 December 2016, details of which were disclosed by the Company in its announcement dated 30 October 2014
“Revised Raw Materials Purchase Master Agreement”	the revised raw materials purchase master agreement dated 20 August 2015 entered into between Suzhou Hengli and Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, in relation to the revision of the annual caps for the years ending 31 December 2015 and 2016 in respect of the continuing connected transaction contemplated under the Raw Materials Purchase Master Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“substantial  
shareholder” 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

*For illustration purpose in this announcement, amounts in RMB have been translated into HK\$ at the rate of RMB0.83 = HK\$1.*

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

Hong Kong, 20 August 2015

*As at the date of this announcement, the executive Directors of the Company are Mr. Cui Genxiang and Mr. Xu Guoqiang; the non-executive Directors of the Company are Mr. Cui Wei and Ms. Zhang Zhong; and the independent non-executive Directors of the Company are Mr. Tam Chi Kwan Michael, Dr. Li Jun and Mr. Pu Hong.*

\* *For identification purpose only*