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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)

FURTHER ANNOUNCEMENT ON CONTINUING CONNECTED TRANSACTION REVISED RAW MATERIALS PURCHASE MASTER AGREEMENT

Reference is made to the announcement of the Company dated 20 August 2015 (the “**Announcement**”) in relation to the Revised Raw Materials Purchase Master Agreement for purchase from Suzhou Hengli (a connected person of the Company under Chapter 14A of the Listing Rules) of metal plastic tape, aluminum plastic tape and other raw materials for production of radio frequency coaxial cables.

Unless the context requires otherwise, capitalized terms used herein shall have the same meaning as ascribed to them in the Announcement.

As disclosed in the Announcement, on 20 August 2015, Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, and Suzhou Hengli entered into the Revised Raw Materials Purchase Master Agreement for revising the annual caps for each of the years ending 31 December 2015 and 2016 from RMB14,000,000 to RMB27,000,000.

The Board wishes to further announce that, 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 for the purchase of raw materials. Details of the tender process are set out below:

- (i) Every year tender documents are issued to at least 3 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. In order to admit a supplier into the list of qualified suppliers, the staff from the purchasing department will conduct site visit, review of documents regarding the supplier’s background, production capacity and equipment assessment, sample testing of raw materials, and finally conducting 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, 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.
- (iii) As a measure of internal control, the reference price for each type of raw material purchased from Suzhou Hengli will be obtained from Dalian Commodity Exchange (if available) on a quarterly basis. If the difference between the reference price quoted at Dalian Commodity Exchange is below than that of the tender price of more than 10%, the Company has a unilateral right to call for a new tender.

As disclosed in the Announcement, if there is no tender process, the purchase price for the raw materials shall be the lower of the following:

- (a) the fair market price for the raw materials agreed between Hengxin (Jiangsu) and Suzhou Hengli 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
- (b) the purchase price as agreed between Hengxin (Jiangsu) and Suzhou Hengli provided that such agreed price shall be no more than the actual costs of purchasing the raw materials by Hengxin (Jiangsu) 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 Board wishes to clarify that, the inclusion of the provisions as set out in sub-paragraphs (a) and (b) above in the Revised Raw Materials Purchase Master Agreement is only for the purpose of giving more flexibility to the Group in case where there is no tender process in future. In such circumstance, the Group will adopt the following procedures to determine the fair market price for the raw materials or the margin rate.

Procedures to determine the fair market price for the raw materials:

- (i) The purchasing department of Hengxin (Jiangsu) will obtain quotations from at least 3 independent qualified suppliers who supply the same or similar type of the raw materials.
- (ii) The purchasing department will compare the quotations and assess the range of the fair market price and check against the reference price for the raw materials quoted at Dalian Commodity Exchange (if available) for reference. The purchasing department will deliberate a range of fair market price for the raw materials and report to the Company’s management for consideration.
- (iii) Upon approval of the range of fair market price, the purchasing department will negotiate with the supplier to agree on the final purchase price for the raw materials which shall be within the range of the fair market price as approved by the management.

Procedures to determine the margin rate:

- (i) The purchasing department of Hengxin (Jiangsu) will obtain the rate of increase of the consumer price index of Jiangsu Province in the most recent year as announced by Jiangsu Statistics Bureau, and check the reference price for the raw materials quoted at Dalian Commodity Exchange (if available) for reference. The purchasing department will then suggest a range of margin rate and report to the Company's management for consideration.
- (ii) Upon approval of the range of margin rate, the purchasing department will negotiate with the supplier to agree on the final purchase price for the raw materials based on the margin rate as approved by the management.

By implementing the above procedures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control and procedures to ensure that the pricing basis of the raw materials supplied by Suzhou Hengli to Hengxin (Jiangsu) under the Revised Raw Materials Purchase Master Agreement will be in accordance with the terms under the agreement, on normal commercial terms, fair and reasonable to the Company and the Shareholders as a whole.

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

Hong Kong, 22 September 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*