

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to the accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

### **DISCLOSEABLE TRANSACTION SUPPLEMENTAL AGREEMENT TO THE ACQUISITION OF 24% EQUITY INTEREST IN MIANYANG SIEMAX AND CAPITAL INJECTION TO MIANYANG SIEMAX**

Reference is made to the Announcement in relation to the Acquisition of 24% equity interest in Mianyang Siemax.

#### **THE SUPPLEMENTAL AGREEMENT**

The Board announces that on 24 June 2016, Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, entered into the Supplemental Agreement with the Vendors, Mianyang Siemax, Ms. Zhang and other Independent Third Parties, pursuant to which Hengxin (Jiangsu), the Vendors and Mianyang Siemax have agreed to amend certain terms of the Sale and Purchase Agreement, including but not limited to (i) reducing the Consideration from RMB72 million to RMB36 million, (ii) removing the Profit Guarantee and all the arrangements in connection therewith, and (iii) amending the arrangements in relation to provision of shareholders' loan.

Pursuant to the Supplemental Agreement, Hengxin (Jiangsu) has also agreed to make the HX Capital Injection in the amount of RMB37,647,059 in cash into Mianyang Siemax. Upon completion of the Capital Injection, Hengxin (Jiangsu) will hold approximately 28.40% equity interest in Mianyang Siemax.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the HX Capital Injection is more than 5% but less than 25%, the HX Capital Injection constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **BACKGROUND**

As disclosed in the Announcement, on 2 February 2016, Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors and Mianyang Siemax, pursuant to which the Vendors have conditionally agreed to sell and Hengxin (Jiangsu) has conditionally agreed to purchase the Target Interests at a consideration of RMB72 million (equivalent to approximately HK\$84,705,882).

As at the date of this announcement, the equity transfers among the Vendors and Hengxin (Jiangsu) under the Acquisition have completed, and Hengxin (Jiangsu) holds 24% equity interest in Mianyang Siemax.

## **THE SUPPLEMENTAL AGREEMENT**

The Board announces that on 24 June 2016, Hengxin (Jiangsu) entered into the Supplemental Agreement with the Vendors, Mianyang Siemax, Ms. Zhang and other Independent Third Parties, pursuant to which Hengxin (Jiangsu), the Vendors and Mianyang Siemax have agreed to amend certain terms of the Sale and Purchase Agreement and Hengxin (Jiangsu) has further agreed to make HX Capital Injection in the amount of RMB37,647,059 (equivalent to approximately HK\$44,290,658) in cash into Mianyang Siemax.

Details of the terms of the Supplemental Agreement in relation to the amendments made to the Sale and Purchase Agreement and the HX Capital Injection are set out below.

### **Date**

24 June 2016

### **Parties**

- (i) Hengxin (Jiangsu), a wholly-owned subsidiary of the Company
- (ii) The Vendors (namely, Mr. Huang Hongwei, Mr. Wang Youcai, Mr. Chen Jiabin, Mr. Song Ze, Mr. Wang Fang and Mr. Chen Yiguang)
- (iii) Mianyang Siemax
- (iv) Ms. Zhang
- (v) Other Independent Third Parties (including Tongsheng Equity)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, other than Hengxin (Jiangsu), Mianyang Siemax (in which the Group owns as to 24%) and Ms. Zhang (a non-executive Director), each of the parties to the Supplemental Agreement and their respective ultimate beneficial owners are Independent Third Parties.

### **Amendments to the Sale and Purchase Agreement**

Pursuant to the Supplemental Agreement, certain terms of the Sale and Purchase Agreement have been amended as follows:

- (i) The Consideration is reduced from RMB72 million (equivalent to approximately HK\$84,705,882) to RMB36 million (equivalent to approximately HK\$42,352,941).

- (ii) The Profit Guarantee and all the arrangements in connection therewith (including but not limited to creation of the pledge by the Vendors of their 37.24% equity interests in Mianyang Siemax, the Vendors' undertaking not to dispose of their equity interests in Mianyang Siemax during the Profit Guarantee period and the repurchase mechanism of the Target Interests in connection with the Profit Guarantee) are removed, details of which were disclosed in the paragraphs headed "Profit Guarantee" and "Terms of repurchase of the Target Interests" in the Announcement.
- (iii) The arrangements in relation to provision of shareholders' loan are amended such that the cap amount of RMB37,470,000 which Hengxin (Jiangsu) has agreed to lend to Mianyang Siemax as shareholders' loan under the Sale and Purchase Agreement is removed.

### Capital Injection

As at the date of this announcement, Mianyang Siemax has a registered capital of RMB150 million and is owned by the following persons:

<b>Shareholder</b>	<b>Approximate shareholding percentage</b>
Hengxin (Jiangsu)	24%
The Vendors	37.24%
Ms. Zhang	8.90%
Other shareholders ( <i>Note</i> )	<u>29.86%</u>
<b>Total</b>	<b><u>100%</u></b>

*Note:* Other shareholders of Mianyang Siemax are Mr. Dai Qing and Tongheng Equity. Tongheng Equity is a limited partnership established in the PRC and is principally engaged in investments. As at the date of this announcement, Mr. Dai Qing, Tongheng Equity and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Supplemental Agreement, certain shareholders of Mianyang Siemax (including Hengxin (Jiangsu)) have agreed to make Capital Injection in a total amount of RMB109,364,706 (equivalent to approximately HK\$128,664,360) into Mianyang Siemax in cash, among which Hengxin (Jiangsu) has agreed to inject capital in the amount of RMB37,647,059 (equivalent to approximately HK\$44,290,658).

The amount of the HX Capital Injection was determined after arm's length negotiation among all the shareholders of Mianyang Siemax and Mianyang Siemax with reference to the shareholding of Hengxin (Jiangsu) in Mianyang Siemax and the funding needs for development of Mianyang Siemax. The Group intends to fund the HX Capital Injection by its internal resources.

Pursuant to the Supplemental Agreement, Hengxin (Jiangsu) and those shareholders of Mianyang Siemax who have agreed to make the Capital Injection shall use endeavours to complete the Capital Injection within 30 days after the date of the Supplemental Agreement.

Mianyang Siemax intends to use the proceeds from the Capital Injection to repay its shareholders' loan and as its general working capital.

Upon completion of the Capital Injection, Mianyang Siemax will have a registered capital of RMB259,364,706 in which Hengxin (Jiangsu) will hold approximately 28.40%.

### **Return of the excess portion of the Consideration**

As of the date of this announcement, Hengxin (Jiangsu) has paid a total of RMB50.4 million to the Vendors pursuant to the Sale and Purchase Agreement, which is in excess of the new Consideration of RMB36 million. Pursuant to the Supplemental Agreement, subject to fulfillment of certain conditions, amongst others, completion of the Capital Injection, excess portion of the Consideration of RMB14.4 million will be returned to Hengxin (Jiangsu).

### **INFORMATION OF MIANYANG SIEMAX**

Mianyang Siemax is a company established in the PRC with limited liability on 24 November 2014 and is principally engaged in the manufacture of nano zirconia ceramic-related products.

The following is the financial information of Mianyang Siemax for the two financial years ended 31 December 2014 and 2015 prepared in accordance with the PRC accounting standards:

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Book value of the net assets	71,946	92,842
Net (loss) profit before tax	(54)	12,811
Net (loss) profit after tax	(54)	11,006

### **REASONS FOR ENTERING INTO THE SUPPLEMENTAL AGREEMENT**

Since the Sale and Purchase Agreement was entered into on 2 February 2016, the parties to the agreement have been in discussion over the management and operation of Mianyang Siemax. In order to cope with market changes, enhance the corporate management standard and avoid any potential conflict of interests, the parties to the agreement after negotiations have agreed that changes shall be made to the key management of Mianyang Siemax, who shall be replaced by key management personnel appointed by Hengxin (Jiangsu) and Tongheng Equity, another substantial shareholder of Mianyang Siemax and accordingly agreed to remove the Profit Guarantee and reduce the Consideration.

With a view to improving the capital structure of Mianyang Siemax, Hengxin (Jiangsu) and certain other shareholders of Mianyang Siemax agreed to make the Capital Injection. Part of the proceeds shall be applied to repay the shareholders' loan of Mianyang Siemax and the remaining portion shall be used as general working capital.

The terms of the Supplemental Agreement have been arrived at after arm's length negotiations among the parties thereto. The Directors (including the independent non-executive Directors) consider that the Supplemental Agreement has been entered into on normal commercial terms (with respect to Hengxin (Jiangsu) and the Group), the terms of the Supplemental Agreement (including the HX Capital Injection) are fair and reasonable (with respect to Hengxin (Jiangsu) and the Group) and accordingly, the entering into of the Supplemental Agreement is in the interests of the Company and its Shareholders as a whole.

## **INFORMATION ON THE GROUP**

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

Hengxin (Jiangsu) is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It 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.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios in respect of the HX Capital Injection is more than 5% but less than 25%, the HX Capital Injection constitutes a discloseable transaction for the Company and is therefore subject to the reporting and announcement requirements but exempt from shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of the Target Interests by Hengxin (Jiangsu) from the Vendors pursuant to the Sale and Purchase Agreement
“Announcement”	the announcement of the Company dated 2 February 2016 in relation to the Acquisition
“Board”	the board of Directors
“Capital Injection”	the capital injection in the total amount of RMB109,364,706 into Mianyang Siemax by certain shareholders of Mianyang Siemax (including Hengxin (Jiangsu)) pursuant to the Supplemental Agreement
“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(s)”	has the meaning ascribed to this term under the Listing Rules
“Consideration”	the consideration for the Acquisition, originally being RMB72 million under the Sale and Purchase Agreement, which has been reduced to RMB36 million pursuant to the Supplemental Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries

“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 and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“HX Capital Injection”	the capital injection in the amount of RMB37,647,059 into Mianyang Siemax by Hengxin (Jiangsu) pursuant to the Supplemental Agreement
“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
“Mianyang Siemax”	Mianyang City Siemax Industrial Co., Ltd.* (綿陽市思邁實業有限公司), a limited liability company established in the PRC
“Ms. Zhang”	Ms. Zhang Zhong, a non-executive Director
“percentage ratio(s)”	has the meaning ascribed to this term under the Listing Rules
“PRC”	The People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Profit Guarantee”	the profit guarantee in respect of the performance of Mianyang Siemax for the three financial years 2015, 2016 and 2017 made by the Vendors under the Sale and Purchase Agreement, details of which are set forth in the section headed “Profit Guarantee” in the Announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale and Purchase Agreement”	the agreement dated 2 February 2016 entered into among Hengxin (Jiangsu), the Vendors and Mianyang Siemax in relation to the Acquisition, details of which were disclosed in the Announcement
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement dated 24 June 2016 entered into among Hengxin (Jiangsu), the Vendors, Mianyang Siemax, Ms. Zhang and other Independent Third Parties in relation to (among others) amendment to certain terms of the Sale and Purchase Agreement and the Capital Injection
“Target Interests”	24% of the equity interest in Mianyang Siemax and all the existing and future rights and interests attaching to such equity interest



“Tongheng Equity”	Shenzhen City Tongheng Equity Investment Fund Centre (Limited Partnership)* (深圳市同亨股權投資基金中心(有限合夥)), a limited partnership established in the PRC
“Vendors”	Mr. Huang Hongwei, Mr. Wang Youcai, Mr. Chen Jiaxin, Mr. Song Ze, Mr. Wang Fang and Mr. Chen Yiguang, and “Vendor” shall mean anyone of them
“%”	per cent

*For illustration purpose in this announcement only, amounts in RMB have been translated into HK\$ at the rate of HK\$1.00 = RMB\$0.85.*

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

Hong Kong, 24 June 2016

*As at the date of this announcement, the executive Directors of the Company are Mr. Du Xiping 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*