THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is issued by Hengxin Technology Ltd. (the "**Company**"). **If you are in any doubt** as to the action you should take, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser immediately.

If you have sold or transferred all your Shares in the capital of the Company, you should at once hand this circular, the notice of the extraordinary general meeting (the "**EGM**") and attached proxy form to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

HENGXIN TECHNOLOGY
亨鑫科技

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)

(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RAW MATERIALS PURCHASE MASTER AGREEMENT AND PRODUCTS SALES MASTER AGREEMENT AND (II) PROPOSED CHANGE OF AUDITOR AND (III) NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Financial Adviser
to the Independent Board Committee and the Independent Shareholders

寶橋 BAOQIAO PARTNERS

BAOQIAO PARTNERS CAPITAL LIMITED

Capitalised terms used on this cover shall have the same meaning as those defined in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 20 to 21 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 42 of this circular.

A notice convening the EGM to be held at 10:00 a.m. on Tuesday, 6 December 2016 at Room A, 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong (or at any adjournment thereof) is set out on pages 48 to 50 of this circular. Any Shareholder or depositor or proxy who wishes to take part in the EGM from Singapore may attend via video conference which will be held at Conference Room, The Penthouse, 7 Temasek Boulevard, #44–01 Suntec Tower One, Singapore 038987. The persons attending the said video conference will be able to pose questions to the Company and to comment on the issues to be considered at the EGM as set forth in the EGM notice. If you are unable to attend the EGM, you are requested to complete and return the proxy form accompanying this circular in accordance with the instructions printed thereon to the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32–01, Singapore 048623 (for Singapore Shareholders), or to the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), as soon as possible and in any event not later than forty-eight (48) hours before the time of the EGM (or at any adjournment thereof). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM (or at any adjournment thereof) should you so wish and in such event, the proxy form shall be deemed to be revoked.

* *For identification purpose only*

18 November 2016

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

"ACRA"	the Accounting and Corporate Regulatory Authority of Singapore
"Announcements"	(i) the announcements of the Company dated 30 October 2014, 20 August 2015 and 22 September 2015 in relation to the Existing Raw Materials Purchase Master Agreement and the Existing Products Sales Master Agreement and the announcements of the Company dated 29 September 2016, 20 October 2016 and 4 November 2016 in relation to the CCT Agreements, and (ii) the announcement of the Company dated 24 October 2016 in relation to the proposed change of the Auditor
"associate(s)"	has the same meaning as given to it under the Hong Kong Listing Rules
"Auditor"	the auditor of the Company
"Board"	the board of Directors
"CCT Agreements"	the Raw Materials Purchase Master Agreement and the Products Sales Master 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 SEHK and secondarily listed on Singapore Exchange Securities Trading Limited
"connected person(s)"	has the same meaning as given to it under the Hong Kong Listing Rules
"Deloitte"	Messrs Deloitte & Touche LLP
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened at 10:00 a.m. on Tuesday, 6 December 2016 at Room A, 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong and via video conference at Conference Room, The Penthouse, 7 Temasek Boulevard, #44–01 Suntec Tower One, Singapore 038987 for the purposes of, among other things, considering and, if thought fit, approving the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps) by the Independent Shareholders as well as the proposed appointment of KPMG as the Auditor by the Shareholders

"Existing Products Sales Master Agreement"	the existing products sales master agreement dated 30 October 2014 entered into between Hengxin (Jiangsu), as supplier, and Suzhou Hengli, as purchaser, in relation to the sales of the Group's products for a term up to 31 December 2016, details of which were disclosed by the Company in its announcement dated 30 October 2014
"Existing Raw Materials Purchase Master Agreement"	the existing raw materials purchase master agreement dated 20 August 2015 entered into between Hengxin (Jiangsu), as purchaser, and Suzhou Hengli, as supplier, in relation to the purchase of certain raw materials from Suzhou Hengli for a term up to 31 December 2016, details of which were disclosed by the Company in its announcement dated 20 August 2015
"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
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the SEHK, as amended, modified or supplemented from time to time
"Independent Board Committee"	the independent committee of the Board formed by the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the CCT Agreements
"Independent Financial Adviser"	BaoQiao Partners Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps)
"Independent Shareholder(s)"	Shareholders other than Kingever and its associates

"Independent Third Party(ies)"	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
"Kingever"	Kingever Enterprises Limited, a company incorporated in the British Virgin Islands and a substantial shareholder of the Company, holding approximately 23.27% of the issued share capital of the Company as at the Latest Practicable Date
"km"	kilometres
"KPMG"	Messrs KPMG LLP
"Latest Practicable Date"	11 November 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"percentage ratios"	has the same meaning as given to it under the Hong Kong Listing Rules
"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 purpose of this circular
"Products Sales Master Agreement"	the products sales master agreement dated 29 September 2016 entered into between Hengxin (Jiangsu), as supplier, and Suzhou Hengli, as purchaser, in relation to the sales of the Group's products for a term commencing from 1 January 2017 to 31 December 2019, as the renewal of the Existing Products Sales Master Agreement
"Raw Materials Purchase Master Agreement"	the raw materials purchase master agreement dated 29 September 2016 entered into between Hengxin (Jiangsu), as purchaser, and Suzhou Hengli, as supplier, in relation to the purchase of certain raw materials from Suzhou Hengli for a term commencing from 1 January 2017 to 31 December 2019, as the renewal of the Existing Raw Materials Purchase Master Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"SEHK"	The Stock Exchange of Hong Kong Limited
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, modified or supplemented from time to time
"Share(s)"	ordinary share(s) of the issued share capital of the Company
"Shareholder(s)"	holder(s) of the Share(s)

"substantial shareholder(s)"	has the same meaning as given to it under the Hong Kong 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
"%"	per cent.

For illustration purpose only, amounts in RMB in this circular have been translated into HK$ at the rate of RMB1.00 = HK$1.16. No representation is made that any amount in RMB have been, could have been or may be converted at such rate or any other rates.

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)

Directors:
Mr. Cui Wei
(Chairman and Non-Executive Director)
Mr. Du Xiping *(Executive Director)*
Mr. Xu Guoqiang *(Executive Director)*
Ms. Zhang Zhong *(Non-Executive Director)*
Mr. Tam Chi Kwan Michael
(Independent Non-Executive Director)
Dr. Li Jun *(Independent Non-Executive Director)*
Mr. Pu Hong *(Independent Non-Executive Director)*

Registered Office:
55 Market Street,
#08–01,
Singapore 048941

Head office and principal place of business in Singapore:
7 Temasek Boulevard,
#04–02B Suntec Tower One,
Singapore 038987

18 November 2016

To the Shareholders

Dear Sir or Madam,

(I) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RAW MATERIALS PURCHASE MASTER AGREEMENT AND PRODUCTS SALES MASTER AGREEMENT AND (II) PROPOSED CHANGE OF AUDITOR AND (III) NOTICE OF EXTRAORDINARY GENERAL MEETING

1. INTRODUCTION

References are made to the Announcements in relation to the CCT Agreements and the proposed change of the Auditor.

* *For identification purpose only*

In contemplation of the expiry of the Existing Raw Materials Purchase Master Agreement and the Existing Products Sales Master Agreement on 31 December 2016, on 29 September 2016, Hengxin (Jiangsu) and Suzhou Hengli entered into the CCT Agreements to renew them, each for a term commencing from 1 January 2017 to 31 December 2019, and to revise the annual caps for the transactions contemplated thereunder.

On 24 October 2016, the Company received a notice from Deloitte in relation to its resignation as the Auditor. Following Deloitte's resignation, the Board proposes to appoint KPMG as the new Auditor and to hold office until conclusion of the next annual general meeting of the Company.

The purpose of this circular is to provide you with (i) details about the CCT Agreements, (ii) details about the proposed change of the Auditor, (iii) the letter from the Independent Board Committee to the Independent Shareholders with respect to the CCT Agreements, (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with respect to the CCT Agreements, and (v) the notice of the EGM to be convened for the purposes of, among other things, the Independent Shareholders to consider and, if thought fit, the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps) as well as the Shareholders to consider and, if thought fit, the proposed appointment of KPMG as the Auditor.

2. RAW MATERIALS PURCHASE MASTER AGREEMENT

Date

29 September 2016

Parties

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

Supplier: Suzhou Hengli, a connected person of the Company

Subject matter

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

It is also agreed under the Raw Materials Purchase Master Agreement that Hengxin (Jiangsu) may purchase those Raw Materials from any third party in the event where such third party offers such Raw Materials with better quality and/or at a better price.

Term

The Raw Materials Purchase Master Agreement is for a term of three years commencing from 1 January 2017 to 31 December 2019 and such term may be renewed by mutual agreement, subject to the requirements under the Hong Kong Listing Rules at that time.

Conditions precedent

The Raw Materials Purchase Master Agreement is subject to fulfilment of the following conditions:

(a) publication of the announcement on 29 September 2016 and this circular as required under the Hong Kong Listing Rules;

(b) having obtained the approvals from the board of directors of Hengxin (Jiangsu), Suzhou Hengli and the Company in respect of the entering into of the Raw Materials Purchase Master Agreement and the transactions contemplated thereunder; and

(c) having obtained the approval from the Independent Shareholders in respect of the entering into of the Raw Materials Purchase Master Agreement and the transactions contemplated thereunder in accordance with the Hong Kong Listing Rules.

As at the Latest Practicable Date, the conditions precedent set out in paragraphs (a) and (b) above have been fulfilled.

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 conducted by Hengxin (Jiangsu); and

(b) if there is no tender process, the purchase price shall be a fair price to be negotiated and 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.

The 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.

Historical transaction amounts and annual caps

The existing annual caps for the transactions under the Existing Raw Materials Purchase Master Agreement and the historical transaction amounts thereunder are set out below:

	Year ended 31 December 2015	**Year ending 31 December 2016**
Annual cap	RMB27,000,000	RMB27,000,000

	Year ended 31 December 2015 (audited)	**Eight months ended 31 August 2016** (unaudited)
Historical transaction amount	RMB20,111,000	RMB22,060,000

For each of the three years ending 31 December 2017, 2018 and 2019, the proposed annual cap for the transactions under the Raw Materials Purchase Master Agreement is RMB50,000,000 (equivalent to approximately HK$58,000,000). The proposed annual caps for the Raw Materials Purchase Master Agreement for the three years ending 31 December 2019 are determined with reference to (i) the historical transaction amounts, (ii) the prevailing market price of the Raw Materials, (iii) the possible increase in the purchase price taking into account of the estimated PRC inflation rates of approximately 2% to 2.6% for the years 2017 to 2019, (iv) the expected production and sales of radio frequency coaxial cables and leaky coaxial cables, both of which are the Group's products and can be widely used in the telecommunications in areas including but not limited to subways, railways, tunnels, underground mines, buildings and mobile surveillance system, etc. given the expected increase in the demand for leaky coaxial cables in the market in the coming few years, and (v) the expected increase in the purchase of the Raw Materials supplied by Suzhou Hengli given the continuing improved quality.

In 2014 and 2015, the Group's radio frequency cable production by using the Raw Materials supplied by Suzhou Hengli recorded a year-on-year growth of approximately 36% and 27% respectively. It is expected that Hengxin (Jiangsu)'s total purchase of the Raw Materials from Suzhou Hengli, as projected by the historical transaction amount of RMB22.06 million for the eight months ended 31 August 2016, could reach approximately RMB27 million by the end of 2016, which is the annual cap for the year ending 31 December 2016 under the Existing Raw Materials Purchase Master Agreement. In view of the historical growth rates in the total purchase of the Raw Materials from Suzhou Hengli, the continuing improved quality of the Raw Materials supplied by Suzhou Hengli, and the expected increase in the demand for leaky coaxial cables in the market in the coming few years, the Board expects a further increase in the total purchase of the Raw Materials from Suzhou Hengli for the years 2017 to

2019, in the range of approximately 60% to 80% compared to the expected total purchase of the Raw Materials from Suzhou Hengli for the year ending 31 December 2016.

Pricing policy (tender process and procedures for determining the fair price)

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 in respect of the purchase of the Raw Materials. Details of the tender process are set out below:

(i) Every year tender documents are issued to Suzhou Hengli and at least 3 independent 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 after taking into account of the type and quality of their products, their reputation, timely delivery or other logistics or service-related factors, etc. At present, the list of qualified suppliers consists of Suzhou Hengli and other Independent Third Parties. In order to admit a supplier into the list of qualified suppliers, the staff from the purchasing department will conduct site visit, review documents regarding the supplier's background, production capacity and equipment assessment, sample testing of the Raw Materials, and finally conduct 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 of Hengxin (Jiangsu), 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. Hengxin (Jiangsu) will then purchase the Raw Materials at the tender price from the winning supplier until a new tender price is determined at the next tender process which usually takes place in each 3 to 4 months.

(iii) As a measure of internal control, the purchasing department of Hengxin (Jiangsu) will check the reference price for the Raw Materials purchased from Suzhou Hengli quoted at Dalian Commodity Exchange (if available) on a quarterly basis. If the reference price quoted at Dalian Commodity Exchange is below the tender price of more than 10%, Hengxin (Jiangsu) has a unilateral right to call for a new tender. Such right will be set out in the tender documents when Hengxin (Jiangsu) issues the same to the tenderers. The benchmark of 10% was determined after taking into account of the historical price fluctuation of the Raw Materials quoted at Dalian Commodity Exchange, the costs and expenses which may be incurred by the supplier in connection with the supply of the Raw Materials to Hengxin (Jiangsu) such as delivery cost, etc., the historical differences in the tender prices in a tender which were usually around 5%, the extra opportunity cost and time required for Hengxin (Jiangsu) to call for a new tender, and the possible effect of hindering the independent suppliers to submit another tender if the benchmark is set too low. According to the Company's records, Hengxin (Jiangsu) has never exercised this right.

As disclosed above, pursuant to the Raw Materials Purchase Master Agreement, if there is no tender process, the purchase price for the Raw Materials shall be the fair price to be negotiated and agreed between the parties. In such circumstances, the Group will adopt the following procedures to determine the fair price for the Raw Materials:

(i) The purchasing department of Hengxin (Jiangsu) will obtain quotations from Suzhou Hengli and at least 3 independent qualified suppliers who supply the Raw Materials.

(ii) The purchasing department will compare the quotations and provided that the Raw Materials which have previously sold to Hengxin (Jiangsu) by those independent qualified suppliers and Suzhou Hengli are of similar quality and have passed the Group's internal QC check, the purchasing department will purchase the Raw Materials from the supplier who has given the lowest quotation. In contrast to the tender price at which Hengxin (Jiangsu) can purchase the Raw Materials from the winning tenderer (which may or may not be Suzhou Hengli) until another new tender price determined at the next tender process, the purchase price determined between the parties under this "fair price approach" applies to one individual transaction only.

Given that the purchase price determined under the "fair price approach" is applicable to one individual transaction only, and Hengxin (Jiangsu) will obtain sufficient quotations from independent suppliers, the Company believes that the purchase price so determined should represent the best pricing term that Hengxin (Jiangsu) can obtain from the market at a material time, and no preferential treatment would be given to Suzhou Hengli over other independent suppliers.

Indeed, Hengxin (Jiangsu) usually determines the purchase price for the Raw Materials through tender process so far as is practicable. The inclusion of the "fair price approach" is solely for the purpose of giving the Group flexibility and as an alternative means which enables the Group to source the Raw Materials in a fair manner when needed. According to Hengxin (Jiangsu)'s records, the "fair price approach" was rarely used except in circumstances such as the independent supplier(s) whom the Group usually deal(s) with could not provide a particular type of the Raw Materials whilst Suzhou Hengli could provide such Raw Materials on an urgent basis.

In order to ensure compliance with the pricing terms under the Raw Materials Purchase Master Agreement and that the annual caps thereunder will not be exceeded, the finance department of Hengxin (Jiangsu) is responsible for monitoring the transactions contemplated under the Raw Materials Purchase Master Agreement and the aggregate transaction amount, and will report to the management on a monthly basis. The management will then report to the Board on a quarterly basis.

By implementing the above policy and procedures, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control to ensure that the pricing basis for the Raw Materials supplied by Suzhou Hengli to Hengxin (Jiangsu) under the Raw Materials Purchase Master Agreement will be in accordance with the terms under the agreement, on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

3. PRODUCTS SALES MASTER AGREEMENT

Date

29 September 2016

Parties

Supplier: Hengxin (Jiangsu)

Purchaser: Suzhou Hengli

Subject matter

Pursuant to the Products Sales Master Agreement, Hengxin (Jiangsu) will provide the Group's products, such as radio frequency coaxial cable series for mobile communications, telecommunications equipment and accessories, high temperature resistant cables and antennas (collectively, the "**Products**") to Suzhou Hengli, on terms no more favourable than those offered to any Independent Third Parties.

It is also agreed under the Products Sales Master Agreement that Suzhou Hengli will give priority to Hengxin (Jiangsu) for purchase of the Products over other third parties under the same sales conditions.

Term

The Products Sales Master Agreement is for a term of three years commencing from 1 January 2017 to 31 December 2019 and such term may be renewed by mutual agreement, subject to the requirements under the Hong Kong Listing Rules at that time.

Conditions precedent

The Products Sales Master Agreement is subject to fulfilment of the following conditions:

(a) publication of the announcement on 29 September 2016 and this circular as required under the Hong Kong Listing Rules;

(b) having obtained the approvals from the board of directors of Hengxin (Jiangsu), Suzhou Hengli and the Company in respect of the entering into of the Products Sales Master Agreement and the transactions contemplated thereunder; and

(c) having obtained the approval from the Independent Shareholders in respect of the entering into of the Products Sales Master Agreement and the transactions contemplated thereunder in accordance with the Hong Kong Listing Rules.

As at the Latest Practicable Date, the conditions precedent set out in paragraphs (a) and (b) above have been fulfilled.

Selling price

Pursuant to the Products Sales Master Agreement, the selling price shall be a fair price to be negotiated and agreed between the parties having regard to the gross profit margin expected to be generated to Hengxin (Jiangsu) from the transaction.

The Products Sales Master Agreement sets out the details to be included in any separate individual sale agreement to be entered into between the parties thereto.

Historical transaction amounts and annual caps

The existing annual caps for the transactions under the Existing Products Sales Master Agreement and the historical transaction amounts thereunder are set out below:

	Year ended 31 December 2014	**Year ended 31 December 2015**	**Year ending 31 December 2016**
Annual cap	RMB6,000,000	RMB6,000,000	RMB6,000,000

	Year ended 31 December 2014 (audited)	**Year ended 31 December 2015** (audited)	**Eight months ended 31 August 2016** (unaudited)
Historical transaction amount	RMB1,399,000	RMB1,238,000	RMB1,000

For each of the three years ending 31 December 2017, 2018 and 2019, the proposed annual cap for the transactions under the Products Sales Master Agreement is RMB10,000,000 (equivalent to approximately HK$11,600,000). The proposed annual caps for the Products Sales Master Agreement for the three years ending 31 December 2019 are determined with reference to (i) the historical transaction amounts, (ii) the prevailing market price of the Products, (iii) the possible increase in the selling price taking into account of the estimated PRC inflation rates of approximately 2% to 2.6% for the years 2017 to 2019, (iv) the production capacity of the Group, (v) the sales capacity of Suzhou Hengli and the expected increase in the purchase of the Products supplied by Hengxin (Jiangsu) in the coming few years, and (vi) the expected increase in the demand of the Products in the market in light of the possible positive effects of The Thirteenth Five-Year Plan on Intermediate to Long Term Railway Network Plan (the "**13th Five-Year Plan**") published by the PRC government in July 2016. In particular, an associated company of Suzhou Hengli has recently won the bid for the supply of leaky coaxial cables for the construction of the mobile transmission system of Chengdu Subway Line 10, as a result of which Suzhou Hengli is expected to have an increase in its demand for leaky coaxial cables, being one of the Group's products supplied by Hengxin (Jiangsu) under the Products Sales Master Agreement. In this connection, Hengxin (Jiangsu) has received an order from Suzhou Hengli in October 2016 for the Group's products mainly comprising leaky coaxial cables in a transaction amount of approximately RMB1.5 million. Besides, Suzhou Hengli has indicated that its estimated total purchase of leaky coaxial cables from Hengxin (Jiangsu) could reach approximately 190 km, 210 km, 230 km and 250 km for the years 2016, 2017, 2018 and 2019 respectively due to the planned expansion of the PRC railway construction and the planned replacement of the leaky coaxial cables in the mobile transmission system under the 13th Five-Year Plan, representing a growth rate of approximately 10% per annum. As such, it is expected that there will be a further increase in the total sales of the Products to Suzhou Hengli for the years from 2017 to 2019. In view of Suzhou Hengli's possible purchases for the Products in the coming few years and the magnitude of one single order from Suzhou Hengli, the Board proposes to increase the annual cap for the Products Sales Master Agreement for each of the three years ending 31 December 2019 to RMB10,000,000 (equivalent to approximately HK$11,600,000).

Pricing policy

Pursuant to the Products Sales Master Agreement, Hengxin (Jiangsu) shall supply the Products to Suzhou Hengli on terms no more favourable than those offered to any Independent Third Parties. The Group has adopted the following policy to ensure the pricing basis under the Products Sales Master Agreement is on normal commercial terms.

When Suzhou Hengli obtains a quotation from Hengxin (Jiangsu) for purchase of a particular type of the Products, the sales department of Hengxin (Jiangsu) will, with reference to the indicative price given by Suzhou Hengli, give a quotation such that acceptance of Suzhou Hengli's order will generate a positive gross profit margin to the Group. In general, before Hengxin (Jiangsu) accepts a purchase order, it will consider various factors, including, among others, selling price, profit margin, specification of the products as to whether the Group can satisfy the requirements, delivery schedule, warranty period required (if any) and production capacity of the Group, etc. This pricing policy is also used when Hengxin (Jiangsu) determines the selling price for the Products provided to other third party customers so far as is practicable. If Hengxin (Jiangsu) receives orders from both Suzhou Hengli and other third party customers for the same product at the same time, the order from Suzhou Hengli will be accepted only when Suzhou Hengli's order can generate a higher gross profit margin to the Group or when Hengxin (Jiangsu) is capable of accepting the orders from both Suzhou Hengli and other third party customers based on the Group's then production capacity. During the years ended 31 December 2014 and 2015 and the eight months ended 31 August 2016, the Group has not fully utilised its production capacity. Given that the Group's current production capacity has not yet been fully utilised and the production capacity can be further increased when necessary, based on the estimated sales budget, the proposed annual caps under the Products Sales Master Agreement and the management's experience, the Board considers that the Group's production capacity will be sufficient for satisfying the potential orders from both Suzhou Hengli and other Independent Third Parties for the supply of the Products in the near future.

In addition, it is a general policy of the Group that approval from the general manager of Hengxin (Jiangsu) is required in the event where an order (whether from Suzhou Hengli or other Independent Third Parties) can only generate a gross profit margin of less than 10% to the Group. The benchmark of 10% was determined after taking into account of the estimated costs and expenses in connection with the sales of the Products as well as the Group's gross profit margins generated from the sales of all the Group's products (including but not limited to the Products sold to Suzhou Hengli) for the years ended 31 December 2014 and 2015, being 17.7% and 19.5%, respectively. Based on the Company's records and estimation with reference to the Group's gross profit margins for the years ended 31 December 2014 and 2015, the Products sold by Hengxin (Jiangsu) to Suzhou Hengli under the Existing Products Sales Master Agreement were at prices no more favourable than those for the same Products sold to other third party customers at a material time and the gross profit margins generated from the sales of the Products to Suzhou Hengli for the years ended 31 December 2014 and 2015 were approximately 31.8% and 30.1%, respectively. Moreover, 10% gross profit margin in respect of an order would be the benchmark below which it may or may not generate profit to the Group, depending on the other income and general expenses (including income tax expenses, if any) of the Group. In the event where Hengxin (Jiangsu) receives an order which can only generate a gross profit margin of less than 10%, the sales department will seek approval from the general manager who will assess, by taking into account of the estimated related costs and expenses payable, and decide whether to approve acceptance of such order.

In order to ensure compliance with the pricing terms under the Products Sales Master Agreement and that the annual caps thereunder will not be exceeded, the finance department of Hengxin (Jiangsu) is responsible for monitoring the transactions contemplated under the Products Sales Master Agreement and the aggregate transaction amount, and will report to the management on a monthly basis. The management will then report to the Board on a quarterly basis.

By implementing the above policy, the Directors (including the independent non-executive Directors) consider that the Company has sufficient internal control to ensure that the pricing basis for the Products supplied by Hengxin (Jiangsu) to Suzhou Hengli under the Products Sales Master Agreement will be in accordance with the terms under the agreement, on normal commercial terms and not prejudicial to the interests of the Company and the Shareholders as a whole.

4. REASONS FOR ENTERING INTO THE CCT AGREEMENTS

Hengxin (Jiangsu) has been purchasing the Raw Materials from Suzhou Hengli and selling the Products to Suzhou Hengli since December 2008 under the relevant purchase master agreements or sales master agreements. The purposes of entering into the CCT Agreements are to renew the term of each of the Existing Raw Materials Purchase Master Agreement and the Existing Products Sales Master Agreement for another three years up to 31 December 2019 and to revise the annual caps for the transactions contemplated thereunder, in order to ensure the continuation of the on-going purchase and sales transactions between Hengxin (Jiangsu) and Suzhou Hengli under the Existing Raw Materials Purchase Master Agreement and the Existing Products Sales Master Agreement.

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 in respect of its sourcing of raw materials and the sales of its products. The Board believes that it is for the benefit of the Group to continue sourcing raw materials from Suzhou Hengli and selling its products to Suzhou Hengli.

Under the respective CCT Agreements, the Group is not committed to purchasing any Raw Materials from Suzhou Hengli or selling any Products to Suzhou Hengli but if any transaction is entered into between the parties, all such transactions will be on normal commercial terms and on terms no less favourable than those offered by any Independent Third Parties (in respect of the purchase of the Raw Materials from Suzhou Hengli) or on terms no more favourable than those offered to any Independent Third Parties (in respect of the sales of the Products to Suzhou Hengli). The renewal of the CCT Agreements will therefore give the Group flexibility to purchase the Raw Materials it requires from Suzhou Hengli or sell its Products to Suzhou Hengli if it so wishes at competitive market prices. In addition, taking into consideration of (i) the continued improvement in the quality of the Raw Materials provided by Suzhou Hengli; (ii) the expected increase in the overall purchase of the Raw Materials from Suzhou Hengli; (iii) the expected increase in the overall purchase of the Group's products by Suzhou Hengli in light of the sales and production capacities of Suzhou Hengli using the Products supplied by Hengxin (Jiangsu); and (iv) the trend of the historical transaction amounts under the respective CCT Agreements over the previous years, the Board proposes to increase the annual caps for the transactions under the CCT Agreements for the three years ending 31 December 2019.

5. 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 sales of metal plastic tape, aluminium plastic tape, polyethylene materials jacketing for radio frequency copper cables, and sales of communication cables, communication equipment and accessories.

6. CONNECTED RELATIONSHIP AND HONG KONG 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 father of Mr. Cui Wei (the Chairman, a non-executive Director and a substantial shareholder of the Company via his wholly-owned entity, Kingever). 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 Wei, Mr. Cui Genliang, Hengtong Group, Hengtong Optic-Electric and Suzhou Hengli is considered as a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

In compliance with Chapter 14A of the Hong Kong Listing Rules, the respective annual caps under the CCT Agreements are aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual caps for the CCT Agreements exceeds 5%, the CCT Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In view of the connected relationship between Mr. Cui Wei, the Chairman and a non-executive Director, and Suzhou Hengli, Mr. Cui Wei has abstained from voting on the relevant board resolutions approving the CCT Agreements and the proposed annual caps thereunder.

The Company has formed the Independent Board Committee to advise the Independent Shareholders with respect to the CCT Agreements. The Company has also appointed BaoQiao Partners Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

7. PROPOSED CHANGE OF AUDITOR

On 24 October 2016, the Company received a notice from Deloitte in relation to its resignation as the Auditor with effect from 10 October 2016, for the reasons of safeguarding the independence of the Auditor and enhancing the Company's corporate governance practices.

Pursuant to the Companies Act (Chapter 50) of Singapore, resignation of the auditor of a listed company is subject to the prior consent from ACRA. The listed company shall then convene a general meeting within 3 months after the date of the auditor's resignation for the purpose of appointment of a new auditor, who shall, upon approval of the shareholders, hold office, unless it is removed or resigns, until conclusion of the next annual general meeting of the company.

Deloitte has applied to ACRA for consent to its resignation as the Auditor and ACRA has given its consent on 10 October 2016.

Following Deloitte's resignation, the Board proposes, with the recommendation from the audit committee of the Company, to appoint KPMG as the new Auditor and to hold office until conclusion of the next annual general meeting of the Company. Given that KPMG is an auditing firm in Singapore, the Company has applied to the SEHK and the SEHK has confirmed pursuant to Rule 19.20(2) of the Hong Kong Listing Rules that KPMG can act as the Auditor of the Company.

An ordinary resolution will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve the appointment of KPMG as the Auditor and to hold office until conclusion of the next annual general meeting of the Company.

Deloitte has confirmed that they are not aware of any matters or circumstances in connection with their resignation that need to be brought to the attention of the Shareholders. The Board confirmed that there is no disagreement between Deloitte and the Company, and there are no matters in respect of the change of the Auditor that need to be brought to the attention of the Shareholders.

The Board would like to take this opportunity to thank Deloitte for its professional services and support in the past years.

8. EGM

The Company will convene the EGM for purposes of, among other things, seeking approval from (i) the Independent Shareholders with respect to the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps), and (ii) the Shareholders with respect to the proposed appointment of KPMG as the Auditor.

A notice convening the EGM to be held at 10:00 a.m. on Tuesday, 6 December 2016 at Room A, 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong is set out on pages 48 to 50 of this circular. Any Shareholder or depositor or proxy who wishes to take part in the EGM from Singapore may attend via video conference which will be held at Conference Room, The Penthouse, 7 Temasek Boulevard, #44–01 Suntec Tower One, Singapore 038987. The persons attending the said video conference will be able to pose questions to the Company and to comment on the issues to be considered at the EGM as set forth in the EGM notice.

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf will find attached to this circular a proxy form which they are requested to complete, sign and return in accordance with the instructions printed thereon to arrive at the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32–

01, Singapore 048623 (for Singapore Shareholders), or to the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) as soon as possible and in any event not later than forty-eight (48) hours before the time fixed for the EGM (or at any adjournment thereof). Completion and return of a proxy form by a Shareholder will not preclude a Shareholder from attending and voting in person at the EGM (or at any adjournment thereof) should he/she so wish. In such event, the relevant proxy form shall be deemed to be revoked.

Pursuant to Article 59 of the Constitution of the Company and Rule 13.39(4) of the Hong Kong Listing Rules, any vote of the Shareholders at a general meeting of the Company must be taken by way of poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolutions to be proposed at the EGM will be voted by way of poll by the Shareholders or the Independent Shareholders (as the case may be).

As at the Latest Practicable Date, Kingever, a substantial shareholder of the Company holding approximately 23.27% of the issued share capital of the Company, is wholly-owned by Mr. Cui Wei, the Chairman and a non-executive Director. In view of the interests of Mr. Cui Wei in the CCT Agreements, Kingever and its associates will abstain from voting on the resolutions in relation to the CCT Agreements and the proposed annual caps thereunder at the EGM.

9. RECOMMENDATIONS

The Board (including the independent non-executive Directors whose opinions and recommendation, after considering the advice from the Independent Financial Adviser, are set out in the section headed "Letter from the Independent Board Committee" in this circular) is of the view that each of the CCT Agreements 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, the terms of each of the CCT Agreements (including the proposed annual caps) are fair and reasonable and the entering into of each of the CCT Agreements is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) recommends that the Independent Shareholders to vote in favour of the proposed resolutions in relation to the CCT Agreements and the proposed annual caps thereunder at the EGM.

The Board considers that the proposed appointment of KPMG as the Auditor is in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the proposed resolution in relation to the appointment of KPMG as the Auditor at the EGM.

10. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 20 to 21 of this circular which contains its recommendation to the Independent Shareholders as to the voting at the EGM regarding the CCT Agreements and the proposed annual caps thereunder.

Your attention is also drawn to the letter from the Independent Financial Adviser as set out on pages 22 to 42 of this circular, which contains, among other things, its advice to the Independent Board Committee and the Independent Shareholders in relation to the CCT Agreements as well as the principal factors and reasons considered by it in concluding its advice.

Your attention is also drawn to the additional information set out in the Appendix to this circular.

By Order of the Board
Hengxin Technology Ltd.
Cui Wei
Chairman

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the CCT Agreements and their respective proposed annual caps, which has been prepared for the purpose of incorporation in this circular.

HENGXIN TECHNOLOGY
亨鑫科技

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)

18 November 2016

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RAW MATERIALS PURCHASE MASTER AGREEMENT AND PRODUCTS SALES MASTER AGREEMENT

We refer to the circular of the Company dated 18 November 2016 (the "**Circular**") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, each of the CCT Agreements was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of each of the CCT Agreements (including the proposed annual caps) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of each of the CCT Agreements, the reasons and benefits of the entering into of the CCT Agreements as well as the advice of the Independent Financial Adviser in relation to the CCT Agreements as set out on pages 22 to 42 of this Circular, we are of the opinion that each of the CCT Agreements was entered into in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms of each of the CCT Agreements (including the proposed annual caps) and the

* *For identification purpose only*

transactions contemplated thereunder are in the interests of the Company and its Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the CCT Agreements and the transactions contemplated thereunder (including the proposed annual caps).

Yours faithfully,
Independent Board Committee

Mr. Tam Chi Kwan Michael *Independent non-executive Director*	**Dr. Li Jun** *Independent non-executive Director*	**Mr. Pu Hong** *Independent non-executive Director*

The following is the full text of the letter of advice from BaoQiao Partners Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

寶橋 BaoQiao Partners

BaoQiao Partners Capital Limited
Unit 501, 5/F, Tower 1, Admiralty Centre,
18 Harcourt Road, Admiralty, Hong Kong

18 November 2016

To the Independent Board Committee
and the Independent Shareholders of
Hengxin Technology Ltd.

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS RAW MATERIALS PURCHASE MASTER AGREEMENT AND PRODUCTS SALES MASTER AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the proposed continuing connected transactions (the "**Proposed Continuing Connected Transactions**") contemplated under the Raw Materials Purchase Master Agreement and the Products Sales Master Agreement (the "**CCT Agreements**") with their respective proposed annual caps (the "**Proposed Annual Caps**").

The details of the Proposed Continuing Connected Transactions are contained in the announcement of the Company dated 29 September 2016 and in the letter from the Board (the "**Letter from the Board**") of the circular of the Company dated 18 November 2016 (the "**Circular**") to the Shareholders, of which this letter forms part. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings given to them in the Circular.

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 father of Mr. Cui Wei (the Chairman, a non-executive Director and a substantial shareholder of the Company via his wholly-owned entity, Kingever). 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 Wei, Mr. Cui Genliang, Hengtong Group, Hengtong Optic-Electric and Suzhou Hengli is considered as a connected person of the Company under Rule 14A.07 of the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the CCT Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

In compliance with Chapter 14A of the Hong Kong Listing Rules, the respective annual caps under the CCT Agreements are aggregated for the purpose of calculating the percentage ratios. As one or more of the applicable percentage ratios (other than the profits ratio) in respect of the aggregate annual caps for the CCT Agreements exceed 5%, the CCT Agreements are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In view of the connected relationship between Mr. Cui Wei, the Chairman and a non-executive Director, and Suzhou Hengli, Mr. Cui Wei has abstained from voting on the relevant board resolutions approving the CCT Agreements and the Proposed Annual Caps thereunder.

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Tam Chi Kwan, Michael, Dr. Li Jun and Mr. Pu Hong, has been formed to advise the Independent Shareholders in relation to the CCT Agreements and how to vote at the EGM.

We, BaoQiao Partners Capital Limited, have been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to each of the CCT Agreements, and to make a recommendation as to, among others, whether (i) the terms of each of the CCT Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) each of the Proposed Continuing Connected Transactions, including their respective Proposed Annual Caps, is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole, and as to voting in respect of the relevant resolutions at the EGM.

BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, *inter alia*, the Announcements, the Circular, the Existing Raw Materials Purchase Master Agreement, the Existing Products Sales Master Agreement, the Raw Materials Purchase Master Agreement, the Products Sales Master Agreement, the annual report of the Company for the year ended 31 December 2015 (the "**2015 Annual Report**") and the interim report of the Company for the six months ended 30 June 2016 (the "**2016 Interim Report**"). We have also reviewed certain information provided by the management of the Company and Hengxin (Jiangsu) (the "**Management**") relating to the operations and prospects of the Group. We have also (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the terms of the CCT Agreements, the basis for determination of the respective Proposed Annual Caps, the businesses and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and reasons for entering into, the CCT Agreements and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the business or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the CCT Agreements, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In assessing the terms of the CCT Agreements, together with the Proposed Annual Caps, and in giving our recommendation to the Independent Board Committee and the Independent Shareholders, we have taken into account the following principal factors and reasons:

1. Background of and reasons for the entering into the CCT Agreements

Information of the Group and Suzhou Hengli

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.

As set out in the 2015 Annual Report, the Group recorded a total turnover of approximately RMB1,566.0 million for the year ended 31 December 2015, representing an approximately 6.1% increase from the total turnover of approximately RMB1,475.4

million recorded during the year ended 31 December 2014. The 2015 Annual Report illustrates that the increase in total turnover was mainly due to the growth in sales of telecommunication equipment and accessories in the PRC. Approximately 67.7% and 26.1% of the total turnover were generated from the sales of radio frequency coaxial cables and telecommunication equipment and accessories, respectively, representing a significant share of the total turnover.

Suzhou Hengli is a company incorporated in the PRC with limited liability and is in the principal business of manufacture and sales of metal plastic tape, aluminium plastic tape, polyethylene materials jacketing for radio frequency copper cables, and sales of communication cables, communication equipment and accessories.

Background of the CCT Agreements

The Group has been purchasing raw materials from Suzhou Hengli and selling the Group's products to Suzhou Hengli since December 2008 under various agreements including currently (i) the Existing Raw Materials Purchase Master Agreement entered into with Suzhou Hengli on 20 August 2015, which was to revise the annual caps for the year ended/ending 31 December 2015 and 2016 respectively under the raw materials purchase master agreement entered into with Suzhou Hengli on 30 October 2014 (the "**2014 Raw Materials Purchase Master Agreement**"), for the purchase of metal plastic tape, aluminum plastic tape and other raw materials for the production of radio frequency coaxial cables (the "**Raw Materials**"), on a non-exclusive basis, by the Group from Suzhou Hengli for a term up to 31 December 2016 and (ii) the Existing Products Sales Master Agreement entered into with Suzhou Hengli on 30 October 2014 for the sales of the Group's products, including but not limited to radio frequency coaxial cable series for mobile communications, telecommunications equipment and accessories, high temperature resistant cables and antennas (the "**Products**") from the Group to Suzhou Hengli for a term up to 31 December 2016 (the "**Existing CCT Agreements**").

As the Existing CCT Agreements are soon to expire, the Company intends to continue the ongoing transactions contemplated thereunder between the Group and Suzhou Hengli and has accordingly entered into the CCT Agreements to govern such transactions for the three years ending 31 December 2019 and to revise the respective annual caps for the transactions contemplated thereunder.

Reasons and benefits for entering into the CCT Agreements

As advised by the Management and disclosed in the 2015 Annual Report, the Group's major source of revenue comes from its sales of the Products and the Raw Materials are components of the Products. Hengxin (Jiangsu) has been purchasing the Raw Materials from Suzhou Hengli and selling the Products to Suzhou Hengli as part of its business since the year of 2008.

In assessing whether the entering into of each of the CCT Agreements is in the ordinary and usual course of the business of the Group and in the interests of the

Company and the Shareholders as a whole, we have considered the following:

(i) Hengxin (Jiangsu) has been purchasing the Raw Materials from Suzhou Hengli and selling the Products to Suzhou Hengli since December 2008, resulting in a long term relationship between the parties and we are of the view that the CCT Agreements are an extension in substance of the Existing CCT Agreements.

(ii) Suzhou Hengli is indirectly wholly owned by Hengtong Optic-Electric, which is a listed company in the Shanghai Stock Exchange (Stock Code: 600487) with high market occupancy and reputation in the cable industry. As disclosed in the annual report of Hengtong Optic-Electric for the year ended 31 December 2015, Hengtong Optic-Electric is one of the major producers of telecommunication and electric cables in the PRC and also ranked as the top three suppliers of the same industry in the centralized procurements of 中國移動通信集團有限公司 (China Mobile Communications Corporation), 中國聯合網絡通信集團有限公司 (China Unicom Co., Ltd.), 中國電信集團有限公司 (China Telecommunications Corporation) and 國家電網公司 (State Grid Corporation of China) for the year ended 31 December 2015. Furthermore, Hengtong Optic-Electric was awarded the World Class Award of the 2015 World Class Global Performance Excellence Awards by Asia Pacific Quality Organization on 30 July 2015. We are of the view that the Group can benefit from closely working with Suzhou Hengli in respect of continuing sourcing the Raw Materials from and selling the Products through Suzhou Hengli.

(iii) As advised by the Management, the quality of the Raw Materials provided by Suzhou Hengli has improved continuously. We have reviewed a list, provided by the Management, of the acceptance ratios of the key Raw Materials supplied by five major suppliers including Suzhou Hengli and four other independent suppliers and concur with the view of the Management.

(iv) Under the CCT Agreements, the Group is not committed to purchasing any of the Raw Materials from or sell any of the Products to Suzhou Hengli but if any transaction is entered into between the parties, all such transactions will be on normal commercial terms and on terms no less favorable (in case of the purchase of the Raw Materials) or no more favorable (in case of the sale of the Products) than those offered by or to any Independent Third Parties. In addition, Suzhou Hengli has agreed to give priority to Hengxin (Jiangsu) for the supply of the Raw Materials or the purchase of the Products over other third parties under the same purchase/sales condition. We are of the view that the CCT Agreements will provide the Group with more flexibility and more business stability in the purchase of the Raw Materials from and the sale of the Products to Suzhou Hengli.

Having considered the above reasons, we concur with the views from the Directors (other than the independent non-executive Directors) that the entering into of each of the CCT Agreements is in the ordinary and usual course of the business of the Group and in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the CCT Agreements

(i) The Raw Materials Purchase Master Agreement

(a) Key terms of the Raw Materials Purchase Master Agreement are as follows:

Date of agreement	:	29 September 2016
Parties	:	(1) Hengxin (Jiangsu) as the purchaser; and (2) Suzhou Hengli as the supplier
Subject matter	:	The purchase of metal plastic tape, aluminum plastic tape and other Raw Materials for production of radio frequency coaxial cables from Suzhou Hengli to Hengxin (Jiangsu).
Term	:	For a term commencing from 1 January 2017 to 31 December 2019 and such term may be renewed by mutual agreement, subject to the requirements under the Hong Kong Listing Rules at that time
Condition Precedent	:	(1) publication of the Announcement and the Circular as required under the Hong Kong Listing Rules; (2) having obtained the approvals from the board of directors of Hengxin (Jiangsu), Suzhou Hengli and the Company in respect of the entering into of the Raw Materials Purchase Master Agreement and the transactions contemplated thereunder; and (3) having obtained the approval from the Independent Shareholders in respect of the entering into of the Raw Materials Purchase Master Agreement and the transactions contemplated thereunder in accordance with the Hong Kong Listing Rules.
Price	:	(1) Suzhou Hengli submits its tender price through the tender process conducted by Hengxin (Jiangsu); and

(2) if there is no tender process, the purchase price shall be a fair price to be negotiated and 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.

Payment Terms : Details of the payment terms shall be defined in each of the separate contracts to be entered into between the parties on terms mutually agreed in accordance with the terms and conditions of Raw Materials Purchase Master Agreement. In principle, it is generally expected that the payment will be made in the same month upon delivery.

We have reviewed and compared the terms of the Raw Materials Purchase Master Agreement and the Existing Raw Materials Purchase Master Agreement and noted that there has been no material change between the terms of the two aforesaid agreements except for the addition of the provision which states that the terms of purchasing the Raw Materials given by Suzhou Hengli to Hengxin (Jiangsu) shall not be less favourable than those given to the Independent Third Parties, and the removal of the sub-provision (numbered (ii) below) in relation to the determination method of the purchase price when there is no tender process under the Existing Raw Materials Purchase Master Agreement which had comprised the statement that:

"if there is no tender process, the purchase price shall be the lower of the following:

(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."

As confirmed by the Management, the alteration in the pricing mechanism above was due to such pricing mechanism under the aforesaid sub-provision (ii) has not been used during the Purchase Review Period (as defined below).

(b) Pricing and payment terms

Pursuant to the Raw Materials Purchase Master Agreement, the price for the purchase of the Raw Materials will be determined by (1) the tender process conducted by Hengxin (Jiangsu) through which Suzhou Hengli submits its tender price together with Independent Third Parties; and if there is no tender process (2) a fair price to be negotiated and 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.

As mentioned in the Letter from the Board, the pricing policy of purchasing the Raw Materials adopted by the Group, which outlines the details of the tender process and the procedures for determining the fair price shall be based on the following:

(i) Every year tender documents are issued to Suzhou Hengli and at least 3 independent 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 after taking into account of the type and quality of their products, their reputation, timely delivery or other logistics or service-related factors, etc. At present, the list of qualified suppliers consists of Suzhou Hengli and other Independent Third Parties. In order to admit a supplier into the list of qualified suppliers, the staff from the purchasing department will conduct site visit, review documents regarding the supplier's background, production capacity and equipment assessment, sample testing of Raw Materials, and finally conduct 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 of Hengxin (Jiangsu), 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. Hengxin (Jiangsu) will then purchase the Raw Materials at the tender price from the winning supplier until a new tender price determined at the next tender process which usually takes place in each 3 to 4 months.

(iii) As a measure of internal control, the purchasing department of Hengxin (Jiangsu) will check the reference price for the Raw Materials purchased from Suzhou Hengli quoted at Dalian Commodity Exchange (if available) on a quarterly basis. If the reference price quoted at Dalian Commodity Exchange is below the tender price of more than 10%, Hengxin (Jiangsu) has a unilateral right to call for a new tender. Such right will be set out in the tender documents when Hengxin (Jiangsu) issues the same to the tenderers. The benchmark of 10% was determined after taking into account of the historical price fluctuation of the Raw Materials quoted at Dalian Commodity Exchange, the costs and expenses which may be incurred by the supplier in connection with the supply of the Raw Materials to Hengxin (Jiangsu) such as delivery cost, the historical differences in the tender prices in a tender which were usually around 5%, the extra opportunity cost and time required for Hengxin (Jiangsu) to call for a new tender, and the possible effect of hindering the independent suppliers to submit another tender if the benchmark is set too low. According to the Company's records, Hengxin (Jiangsu) has never exercised this right.

As disclosed above in the Letter from the Board, pursuant to the Raw Materials Purchase Master Agreement, if there is no tender process, the purchase price for the Raw Materials shall be the fair price to be negotiated and agreed between the parties. In such circumstance, the Group will adopt the following procedures to determine the fair price for the Raw Materials:

(i) The purchasing department of Hengxin (Jiangsu) will obtain quotations from Suzhou Hengli and at least 3 independent qualified suppliers who supply the Raw Materials.

(ii) The purchasing department will compare the quotations and provided that the Raw Materials which have previously sold to Hengxin (Jiangsu) by those independent qualified suppliers and Suzhou Hengli are of similar quality and have passed the Group's internal QC check, the purchasing department will purchase the Raw Materials from the supplier who has given the lowest quotation. In contrast to the tender price at which Hengxin (Jiangsu) can purchase the Raw Materials from the winning tenderer (which may or may not be Suzhou Hengli) until another new tender price determined at the next tender process, the purchase price determined between the parties under this "fair price approach" applies to one individual transaction only.

In order to ensure compliance with the pricing terms under the Raw Materials Purchase Master Agreement and that the annual caps thereunder will not be exceeded, the finance department of Hengxin (Jiangsu) is responsible for monitoring the transactions contemplated under the Raw Materials Purchase

Master Agreement and the aggregate transaction amount, and will report to the management on a monthly basis. The management will then report to the Board on a quarterly basis.

We have reviewed sample tender documents in relation to Hengxin (Jiangsu)'s unilateral right to call for a new tender if the reference price quoted at Dalian Commodity Exchange is below the tender price of more than 10% and noted that such benchmark of 10% applies to both Suzhou Hengli and other Independent Third Parties. As such, we are of the view that such benchmark of 10% did not provide Suzhou Hengli with more favourable terms than those provided to Independent Third Parties, and is on normal commercial terms.

After considering that (i) Hengxin (Jiangsu) adopts the tender process with tender documents to be issued to Suzhou Hengli and at least 3 Independent Third Parties in selecting a supplier for supplying the Raw Materials, as such, we believe it is a fair and reasonable method and will ensure that if Suzhou Hengli wins the tender, the terms Hengxin (Jiangsu) received from Suzhou Hengli will not be less favourable than those received from Independent Third Parties; and (ii) if there is no tender process, Hengxin (Jiangsu) will purchase from the supplier who offers the lowest quotation for similar quality Raw Materials after comparing the quotations offered by Suzhou Hengli and at least 3 independent qualified suppliers, as such, we believe it will ensure that if Suzhou Hengli is chosen to supply the Raw Materials to Hengxin (Jiangsu), the price offered by Suzhou Hengli will not be higher than that offered by Independent Third Parties for similar quality Raw Materials, we concur with the Directors' view that the pricing policy of purchasing the Raw Materials provides effective control measures to ensure that the transactions under the Raw Materials Purchase Master Agreement will be conducted on normal commercial terms.

In order to assess the fairness and reasonableness of the terms and pricing basis of the transactions under the Existing Raw Materials Purchase Master Agreement, we have obtained and reviewed a list of transactions of purchasing the same or similar Raw Materials from Suzhou Hengli and from the Independent Third Parties (the "**Purchase List**") for the period from 30 October 2014, being the effective date of the 2014 Raw Materials Purchase Master Agreement, to 31 August 2016, being the latest available date for the Purchase List (the "**Purchase Review Period**") and we have obtained, reviewed and compared more than 100 sample documents, including sample tender documents, sample letters of award, sample lists of qualified suppliers, sample evaluation forms signed by the heads of relevant departments and the general manager of Hengxin (Jiangsu), sample quotations, sample purchase contracts and sample invoices, all selected on a random basis, for the historical purchase transactions of the Raw Materials between (1) the Group and the Independent Third Parties and (2) the Group and Suzhou Hengli during the Purchase Review Period. As we randomly selected the samples in each of the major categories of the Raw Materials, we consider the sample size is fair and representative. We noted that the terms on delivery, settlement and indemnification given by Suzhou Hengli to the Group are no less favourable than those given by the Independent Third Parties to the Group. For the pricing basis, we noted that the purchases of the Raw Materials from Suzhou Hengli and Independent Third Parties were generally priced through the tender process during the Purchase Review Period. We noted that, among the tenders Suzhou Hengli won, the prices given by Suzhou Hengli to the Group were no less favourable than those given by the Independent Third Parties to the Group for the Raw Materials with same specification during the same period. In case there was no tender process, we noted the pricing of the Raw Materials purchased from Suzhou Hengli was determined with reference to the 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 and under transactions with Suzhou Hengli, the quotations offered by Suzhou Hengli were lower than those offered by Independent Third Parties during the same quotation period.

Pursuant to the Raw Materials Purchase Master Agreement, Hengxin (Jiangsu) is free to purchase the Raw Materials from other independent suppliers other than Suzhou Hengli in the event where such third party offers the Raw Materials with better quality and/or at a better price. Suzhou Hengli has also agreed that, under the same contract terms, Suzhou Hengli will give priority to the purchase orders of the Raw Materials from Hengxin (Jiangsu). We consider that the aforesaid arrangements allow the Group to have the flexibility in purchasing the Raw Materials for its production and at the same time secure a stable supply of the Raw Materials at reasonable prices in order to maintain its competitiveness in the market.

Having considered the above, we are of the view that the terms (including the pricing basis) of the Raw Materials Purchase Master Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(ii) The Products Sales Master Agreement

Key terms of the Products Sales Master Agreement are as follows:

Date of agreement	:	29 September 2016
Parties	:	(1) Hengxin (Jiangsu) as the supplier; and (2) Suzhou Hengli as the purchaser
Subject matter	:	The sale of the Group's products, such as radio frequency coaxial cable series for mobile communications, telecommunications equipment and accessories, high temperature resistant cables and antennas from the Group to Suzhou Hengli.

It is also agreed under the Products Sales Master Agreement that Suzhou Hengli will give priority to Hengxin (Jiangsu) for purchase of the Products over other third parties under the same sales conditions.

Term	:	For a term commencing from 1 January 2017 to 31 December 2019 and such term may be renewed by mutual agreement, subject to the requirements under the Hong Kong Listing Rules at that time
Condition Precedent	:	(1) publication of the Announcement and the Circular as required under the Hong Kong Listing Rules; (2) having obtained the approvals from the board of directors of Hengxin (Jiangsu), Suzhou Hengli and the Company in respect of the entering into of the Products Sales Master Agreement and the transactions contemplated thereunder; and (3) having obtained the approval from the Independent Shareholders in respect of the entering into of the Products Sales Master Agreement and the transactions contemplated thereunder in accordance with the Hong Kong Listing Rules.
Price	:	The selling price shall be a fair price to be negotiated and agreed between the parties having regard to the gross profit margin expected to be generated to Hengxin (Jiangsu) from the transaction.
Payment Terms	:	Details of the payment terms shall be defined in each of the separate contracts to be entered into between the parties on terms mutually agreed in accordance with the terms and conditions of Raw Materials Purchase Master Agreement. In principle, it is generally expected that the payment will be made in the same month upon delivery.

We have reviewed and compared the terms of the Products Sales Master Agreement and the Existing Products Sales Master Agreement and noted that there has been no material change between the terms of the two aforesaid agreements except for the change of price determination basis of the sale of the Products and the addition of the provision which states that the terms of the sale of the same Products given by Hengxin (Jiangsu) to Suzhou Hengli shall not be more favourable than those given to the Independent Third Parties.

Pursuant to the Existing Products Sales Master Agreement, the selling price should be determined by

(a) the price set by the regulations of the PRC government or the relevant authority (if there is any);

(b) if no such price is set by the PRC government or the relevant authorities, Hengxin (Jiangsu) submits its tender price through the tender process; and

(c) if there is no tender process, the selling price shall be the higher of the followings:

  (i) the fair market price which is provided by Independent Third Parties; or

  (ii) the selling price as agreed between the parties provided that such agreed price shall not be less than the actual price of selling the Products in the most recent year plus a margin of an agreed rate (which shall not be less than the rate of increase of the consumer price index of Jiangsu Province in the most recent year) of such price.

Pursuant to the Products Sales Master Agreement, the selling price of the Products will be determined solely by a fair price to be negotiated and agreed between the parties having regard to the gross profit margin expected to be generated to Hengxin (Jiangsu) from the transaction. As advised by the Group, the change of price determination basis was made since there was no price set by the PRC government or relevant authorities for the Products and no tender process happened and the aforesaid addition of the provision will guarantee the selling price not to be more favourable than that provided to Independent Third Parties. We are of the view that such changes are not material and on normal commercial terms.

As mentioned in the Letter from the Board, the pricing policy of selling the Products adopted by the Group, which outlines the procedures for determining the fair price shall be as following:

> Pursuant to the Products Sales Master Agreement, Hengxin (Jiangsu) shall supply the Products to Suzhou Hengli on terms no more favourable than those offered to any Independent Third Parties.
>
> When Suzhou Hengli obtains a quotation from Hengxin (Jiangsu) for purchase of a particular type of the Products, the sales department of Hengxin (Jiangsu) will, with reference to the indicative price given by Suzhou Hengli, give a quotation such that acceptance of Suzhou Hengli's order will generate a positive gross profit margin to the Group. In general, before Hengxin (Jiangsu) accepts a purchase order, it will consider various factors, including, among others, selling price, profit margin, specification of the products as to whether the Group can satisfy the requirements, delivery schedule, warranty period required (if any) and production capacity of the Group, etc. This pricing policy is also used when Hengxin (Jiangsu) determines the selling price for the Products provided to other

third party customers so far as is practicable. If Hengxin (Jiangsu) receives orders from both Suzhou Hengli and other third party customers for the same product at the same time, the order from Suzhou Hengli will be accepted only when Suzhou Hengli's order can generate a higher gross profit margin to the Group or when Hengxin (Jiangsu) is capable of accepting the orders from both Suzhou Hengli and other third party customers based on the Group's then production capacity. During the years ended 31 December 2014 and 2015 and eight months ended 31 August 2016, the Group has not fully utilised its production capacity. Given that the Group's current production capacity has not yet been fully utilised and the production capacity can be further increased when necessary, based on the estimated sales budget, the proposed annual caps under the Products Sales Master Agreement and the management's experience, the Board considers that the Group's production capacity will be sufficient for satisfying the potential orders from both Suzhou Hengli and other Independent Third Parties for the supply of the Products in the near future.

In addition, it is a general policy of the Group that approval from the general manager of Hengxin (Jiangsu) is required in the event where an order (whether from Suzhou Hengli or other Independent Third Parties) can only generate a gross profit margin of less than 10% to the Group. The benchmark of 10% was determined after taking into account of the estimated costs and expenses in connection with the sales of the Products as well as the Group's gross profit margins generated from the sales of all the Group's products (including but not limited to the Products sold to Suzhou Hengli) for the years ended 31 December 2014 and 2015, being 17.7% and 19.5% respectively. Based on the Company's records and estimation with reference to the Group's gross profit margins for the years ended 31 December 2014 and 2015, the Products sold by Hengxin (Jiangsu) to Suzhou Hengli under the Existing Products Sales Master Agreement were at prices no more favourable than those for the same Products sold to other third party customers at a material time and the gross profit margins generated from the sales of the Products to Suzhou Hengli for the years ended 31 December 2014 and 2015 are approximately 31.8% and 30.1%, respectively. Moreover, 10% gross profit margin in respect of an order would be the benchmark below which it may or may not generate profit to the Group, depending on other general expenses and income (including income tax expenses, if any). In the event where Hengxin (Jiangsu) receives an order which can only generate a gross profit margin of less than 10%, the sales department will seek approval from the general manager who will assess, by taking into account of the estimated related costs and expenses payable, and decide whether to approve acceptance of such order.

In order to ensure compliance with the pricing terms under the Products Sales Master Agreement and that the annual caps thereunder will not be exceeded, the finance department of Hengxin (Jiangsu) is responsible for monitoring the transactions contemplated under the Products Sales Master Agreement and the aggregate transaction amount, and will report to the management on a monthly basis. The management will then report to the Board on a quarterly basis.

Given the Group recorded gross profit margin of approximately 17.7% and 19.5% respectively for the years ended 31 December 2014 and 2015, we have discussed with the Management regarding the setting of the benchmark of the gross profit margin of 10% under which an order needs the approval from the general manager of Hengxin (Jiangsu), and we are given to understand that (i) it is a general policy of the Group regarding the sales of the Products and other products of the Group, applying to both Independent Third Parties and Suzhou Hengli and treating Suzhou Hengli no different compared to Independent Third Parties; (ii) products of the Group sold with a gross profit margin of more than 10% will in general incline Hengxin (Jiangsu) to generate a positive profit; (iii) even though the gross profit margins generated from the sales of the Products to Suzhou Hengli for the years ended 31 December 2014 and 2015 were approximately 31.8% and 30.1% respectively, which were higher than the corresponding gross profit margin of the Group, we have also noticed from samples obtained that certain Products sold to Suzhou Hengli generated gross profit margins close to 10%; and (iv) where an order can only generate a gross profit margin of less than 10%, the general manager of Hengxin (Jiangsu) will assess the cost and approve acceptance of such order only when it is expected to generate a positive profit after his assessment. As such, we consider the setting of the above benchmark of the gross profit margin of 10% is reasonable. After considering the above reasons as well as the pricing procedures mentioned above, we concur with the Directors' view that the pricing policy of the sales of the Products provides effective control measures to ensure that the transactions under the Products Sales Master Agreement will be conducted on normal commercial terms.

In order to assess the fairness and reasonableness of the terms and pricing basis of the transactions under the Products Sales Master Agreement, we have obtained and reviewed a list of transactions of selling the same or similar Products from the Group to Suzhou Hengli and Independent Third Parties (the "**Sale List**") for the period from 30 October 2014, being the effective date of the Products Sales Master Agreement, to 31 August 2016, being the latest available date for the Sale List (the "**Sales Review Period**") and we have obtained, reviewed and compared 6 sets of samples, including sample contracts/order documents and sample invoices, all selected on a random basis, for the historical sales transactions of the same or similar Products between (1) the Group and the Independent Third Parties and (2) the Group and Suzhou Hengli during the Sales Review Period. As we randomly selected the samples in each of the major categories of the Products, we consider the sample size is fair and representative. We noted that the terms on delivery, settlement and indemnification given by Hengxin (Jiangsu) to Suzhou Hengli are no more favourable than those given to the Independent Third Parties by Hengxin (Jiangsu).

For the pricing basis, we noted that the sales of the Products from the Group to Suzhou Hengli and Independent Third Parties were priced based on the price to be negotiated and agreed between the parties having regard to the gross profit margin expected to be generated to Hengxin (Jiangsu) during the Sales Review Period. We have reviewed the sample quotation proposals with calculated gross profit margin(s) made by the sales department and approved by the head of the marketing department and the sample contracts and invoices to Suzhou Hengli and to Independent Third

Parties (if available) (the "**Sales Samples**"), and we noted that, the weighted average price of the Products sold to Suzhou Hengli by the Group within the Sales Samples are no more favourable than those same Products sold to the Independent Third Parties and if there is no such Product sold to Independent Third Parties, such Product within the Sales Samples generated a gross profit margin to the Group of more than 10%.

Pursuant to the Products Sales Master Agreement, Suzhou Hengli has also agreed that, under the same contract terms, Suzhou Hengli will give priority to the purchase of the Products from Hengxin (Jiangsu). We consider that the aforesaid arrangement allows the Group to secure stable sales of the Products at reasonable prices.

Having considered the above, we are of the view that the terms (including the pricing basis) of the Products Sales Master Agreement are on normal commercial terms and fair and reasonable so far as the Company and the Independent Shareholders are concerned.

3. Proposed Annual Caps

The table below sets out respectively the historical amounts for the two years ended 31 December 2015 and the eight months ended 31 August 2016, and the Proposed Annual Caps for the three years ending 31 December 2019 of the transactions in relation to the CCT Agreements:

	Historical transaction amounts			**Proposed Annual Caps**		
Unit: Million RMB	**For the year ended 31 December 2014**	**For the year ended 31 December 2015**	**For the eight months ended 31 August 2016**	**For the year ended 31 December 2017**	**For the year ended 31 December 2018**	**For the year ended 31 December 2019**
Purchase of the Raw Materials	9.2	20.1	22.1	50.0	50.0	50.0
Sale of the Products	1.4	1.2	0.001	10.0	10.0	10.0

As set out in the Letter from the Board, in arriving at the above Proposed Annual Caps for the transactions in relation to the CCT Agreements, the Directors have taken into account, among others, the following information:

(i) The Raw Materials Purchase Master Agreement

As set out in the Letter from the Board, the Proposed Annual Caps for the Raw Materials Purchase Master Agreement for the three years ending 31 December 2019 are determined with reference to (i) the historical transaction amounts, (ii) the prevailing market price of the Raw Materials, (iii) the possible increase in the purchase price taking into account of the estimated PRC inflation rates of approximately 2% to 2.6% for the years 2017 to 2019, (iv) the expected production and sales of radio frequency coaxial cables and leaky coaxial cables, both of which are the Group's products and can be widely used in the telecommunications in areas including but not limited to subways, railways, tunnels, underground mines, buildings and mobile surveillance systems, etc. given the expected increase in the demand for leaky coaxial cables in the market in the coming few years, and (v) the expected increase in the purchase of the Raw Materials supplied by Suzhou Hengli given the continuing improved quality.

Regarding the Raw Materials Purchase Master Agreement, the historical aggregate purchase of the Raw Materials from Suzhou Hengli by Hengxin (Jiangsu) was approximately RMB9.2 million, RMB20.1 million and RMB22.1 million (excluding the VAT payable to the State Administration of Taxation of the PRC) for the two years ended 31 December 2015 and the eight months ended 31 August 2016. The purchase of the Raw Materials from Suzhou Hengli for the eight months ended 31 August 2016 represents approximately 110.0% of that of the full year 2015.

We have discussed with the Management on how the Proposed Annual Caps for the Raw Materials Purchase Master Agreement are determined. We are given to understand that, the Group's total cable production by using the Raw Materials reached approximately 112,000 km and 143,000 km for the year of 2014 and 2015 with an annual growth rate of approximately 36.6% and 27.7% respectively and is expected to reach approximately 158,000 km for the year of 2016 based on the real production of approximately 105,000 km recorded for the eight months ended 31 August 2016. As advised by the Management, the corresponding total purchase of the Raw Materials for the above expected production of approximately 158,000 km cables for the year of 2016 will be approximately 10,356,000 tonnes based on the historical ratio. If applying the most recent average price of the Raw Materials of approximately RMB7.04 per tonne as provided by the Management, the total purchase of the Raw Materials for the year ending 31 December 2016 is expected to be approximately RMB72.9 million. The Management expects that part of the production of radio frequency coaxial cables will be replaced by the growing production of leaky coaxial cables, with the total production of cables and the purchase of the Raw Materials to remain almost unchanged to be approximately 158,000 km and RMB72.9 million for each of the years from 2017 to 2019 comparing to that for the year of 2016.

As advised by the Management, the total purchase of the Raw Materials from Suzhou Hengli for 2016 is expected to reach the current annual cap of RMB27.0 million, representing approximately 37.0% of the expected total purchase of the Raw Materials of the Group of approximately RMB72.9 million, based on the actual purchase amount of RMB22.1 million for the eight months ended 31 August 2016. We were advised by the Management that, Hengxin (Jiangsu) has also purchased similar Raw Materials from Independent Third Parties which could only be applied to a limited range of Hengxin (Jiangsu)'s productions but at a similar price as compared to those supplied by Suzhou Hengli due to the limitation of the current annual cap. As advised by the Management, such purchase from Suzhou Hengli is further expected to increase to RMB47.4 million (assuming the proposed new annual caps for the Raw Materials Purchase Master Agreement will be approved by the Independent Shareholders at the EGM), representing approximately 65.0% of the total purchase of the Raw Materials for each of the three years ending 31 December 2019 through the future tender processes given (i) the continuing improved quality of the Raw Materials supplied by Suzhou Hengli; (ii) the competitive prices of the Raw Materials supplied by

Suzhou Hengli as shown in the historical tender processes; and (iii) the increased production capacity of Suzhou Hengli since 2016. In addition, if considering the effect of the expected annual inflation rate of approximately 2.3%, being the median of the Company's estimation, for the years from 2017 to 2019, the total purchase of the Raw Materials from Suzhou Hengli is expected to reach approximately RMB48.5 million, RMB49.6 and RMB50.0 million for the three years ending 31 December 2019 respectively.

For our due diligence purpose, we have obtained and reviewed a list, provided by the Management, of the acceptance ratios of the key Raw Materials supplied by five major suppliers including Suzhou Hengli and noted that the average acceptance ratio of the Raw Materials supplied by Suzhou Hengli increased from approximately 98.04% and 99.55% for the two years ended 31 December 2015 respectively to approximately 99.80% for the eight months ended 31 August 2016. We have also discussed with and was advised by the Management that although Hengxin (Jiangsu) may demand more Raw Materials from Suzhou Hengli given the above reasons, Suzhou Hengli can only assign approximately 7,200 tonnes of production capacity of a key type of the Raw Materials annually from year 2017 to Hengxin (Jiangsu), which is equivalent to approximately RMB46.4 million if multiplying 7,200 tonnes by the unit price of approximately RMB6,440 per tonne, being the most recent price of such key type of the Raw Materials offered by Suzhou Hengli. In addition, we have researched and found out that the consumer price index of the PRC for the years 2012, 2013, 2014 and 2015, and nine months ended 30 September 2016 published by the National Bureau of Statistics of China was 2.6%, 2.6%, 2.0%, 1.4% and 2.0% respectively with a maximum of 2.6%, a minimum of 1.4% and an average of approximately 2.1%.

After considering all the reasons mentioned above, we consider the estimation of the estimated purchase of the Raw Materials from Suzhou Hengli for the three years ending 31 December 2019 is reasonable.

(ii) The Products Sales Master Agreement

As set out in the Letter from the Board, the Proposed Annual Caps for the Products Sales Master Agreement for the three years ending 31 December 2019 are determined with reference to (i) the historical transaction amounts, (ii) the prevailing market price of the Products, (iii) the possible increase in the selling price taking into account of the estimated PRC inflation rates of approximately 2% to 2.6% for the years of 2017 to 2019, (iv) the production capacity of the Group, (v) the sales capacity of Suzhou Hengli and (vi) expected increase in the purchase of the Products supplied by Hengxin (Jiangsu) in the coming few years, and the expected increase in the demand of the Products in the market in light of the possible positive effect of the 13th Five Year Plan.

Regarding the Products Sales Master Agreement, the historical aggregate purchase of the Products by Suzhou Hengli from Hengxin (Jiangsu) was approximately RMB1.4 million, RMB1.2 million and RMB1,000 (excluding the VAT payable to the State Administration of Taxation of the PRC) for the two years ended

31 December 2015 and the eight months ended 31 August 2016. The drop of the sales of the Products for the eight months ended 31 August 2016 was due to the reduction of the orders for the Products from the customers of the group of companies under Hengtong Optic-Electric since Hengtong Optic-Electric and its group of companies are mainly engaged in the business of the sales of optic fibre and related products whilst the Products form only a minor subset of its revenue as part of the group's accompanying sales should such orders arise. Nevertheless, we were advised by the Management that they have recently received an order of approximately RMB1.5 million for the Products from Suzhou Hengli.

As advised by the Management, one of the promising Products of the Group is leaky coaxial cable, which can be widely used in the telecommunications in areas including subways, high-speed railways, urban railways, tunnels, underground mines, buildings, mobile surveillance systems and various other areas. We noted in the 2015 Annual Report, the Group was awarded with the tenders of leaky coaxial cable series of products for the Jinhua-Wenzhou Railway, Hefei Subway and other railway mobile communication projects in the PRC for a total value of approximately RMB110 million and recorded a revenue growth of leaky coaxial cables as a whole of approximately 248.8% for the year ended 31 December 2015 comparing to the year of 2014.

We were advised by the Management that Suzhou Hengli and its associated companies have established a stable customer base in the rail transportation cable market in the PRC throughout their ordinary business and recently an associated company of Suzhou Hengli (the "**Hengli Associate**") entered into a supply agreement with an Independent Third Party, pursuant to which the Hengli Associate will supply leaky coaxial cables for the mobile transmission system of 成都地鐵10號線 (Chengdu Subway Line 10). We have obtained and reviewed the aforesaid supply agreement and also noted that following the aforesaid supply agreement, Suzhou Hengli has ordered the Products mainly comprising leaky coaxial cable products from Hengxin (Jiangsu) for approximately RMB1.5 million (the "**Chengdu Subway Order**"). In addition, as advised by the Management, Hengxin (Jiangsu) has received an indicative order from Suzhou Hengli in October 2016 for the supply of leaky coaxial cables for the mobile transmission system of 重慶軌道交通4號線 (Chongqing Rail Transit Line 4), amounting to approximately RMB4.0 million (the "**Indicative Chongqing Line 4 Order**").

Furthermore, the Management was advised by Suzhou Hengli that the estimated total purchase of leaky coaxial cables would reach 190 km, 210 km, 230 km and 250 km for each of the four years ending 31 December 2019. Nevertheless, the Management expects the total sales of the leaky coaxial cables to Suzhou Hengli by the end of 2016 will only reach approximately 170 km because such sales are expected to reach the annual cap of RMB6.0 million at the average price of approximately RMB35,000 per km for the eight months ended 31 August 2016 and Hengxin (Jiangsu) cannot take extra orders from Suzhou Hengli in accordance with the Existing Products Sales Master Agreement.

After considering the Chengdu Subway Order, the Indicative Chongqing Line 4 Order, the above estimated purchases by Suzhou Hengli for the year ending 31 December 2016, and the current average price of leaky coaxial cables of approximately RMB35,000 per km provided by the Management, we concur with the view of the Management that the sales of the Products to Suzhou Hengli is expected to reach the annual cap of RMB6.0 million by the end of 2016.

After considering the estimated demand from Suzhou Hengli as mentioned above and the prevailing price of leaky coaxial cables, the Management expects the sales of the Products to Suzhou Hengli will generate sales amount of approximately RMB7.4 million, RMB8.1 million and RMB8.8 million with the current estimated price of RMB35,000 per km for the year ending 31 December 2017, 2018 and 2019 respectively. As the Management expects that once it receives an order of leaky coaxial cables from Suzhou Hengli, the amount will highly likely be similar to or more than the amount of the Chengdu Subway Order (i.e. RMB1.5 million), making the total sales of the Products to Suzhou Hengli highly likely reaching RMB10.0 million for each of the three years ending 31 December 2019.

According to the 十三五《中長期鐵路網規劃》 (The Thirteenth Five-Year Plan on Intermediate to Long Term Railway Network Plan, the "**13th Five Year Plan**") published by 中華人民共和國國家發展和改革委員會 (National Development and Reform Commission of the PRC) on 13 July 2016, the total length of the railways is planned to reach approximately 150,000 km by the end of 2020, representing an increase of approximately 29,000 km or 24.0% comparing to the total length of approximately 121,000 km at the end of 2015, indicating an average annual planned growth rate of approximately 5%. As such, it is expected that there will be an increase in the demand for leaky coaxial cables in the market in the coming few years.

In addition, we have obtained and reviewed an explanation letter issued by Suzhou Hengli for the forecast of the purchase of the Products from Hengxin (Jiangsu) (the "**Explanation Letter**"), which stated that due to the planned expansion of the rail construction in the PRC according to the 13th Five Year Plan together with the replacement of waveguide signal leaky cable by new signal leaky cable in the railway industry, the estimated purchase of the Products, mainly comprising leaky coaxial cables, from Hengxin (Jiangsu) is expected to reach 190 km, 210 km, 230 km and 250 km for each of the four years ending 31 December 2019 respectively given the quality of the Products supplied by Hengxin (Jiangsu) satisfies the request. Based on the data published by the PRC government, the Explanation Letter, and Suzhou Hengli and Hengtong Optic-Electric's market reputation in the cable industry, we are of the view that the estimation of the annual growth of the sales of Products to Suzhou Hengli for the four years ending 31 December 2019 estimated by the Management is reasonable.

Taking the above into consideration, we are of the opinion that the Proposed Annual Caps under the CCT Agreements are determined based on the reasonable estimation and after due and careful consideration, and are fair and reasonable so far as the Independent Shareholders are concerned.

However, Shareholders should note that as the Proposed Annual Caps for the three years ending 31 December 2019 of each of the CCT Agreements are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to 31 December 2019, they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual amounts will correspond with the Proposed Annual Caps under the CCT Agreements for the three years ending 31 December 2019.

ANNUAL REVIEW OF THE TRANSACTIONS

The Proposed Annual Caps will be subject to the annual review by the independent non-executive Directors, details of which shall be included in the Company's subsequent published annual report and accounts pursuant to the Hong Kong Listing Rules. In addition, pursuant to the Hong Kong Listing Rules, the auditors of the Company must provide a letter to the Board confirming, among others, that the Proposed Continuing Connected Transactions are conducted in accordance with their terms and that the Proposed Annual Caps not being exceeded. Moreover, pursuant to the Hong Kong Listing Rules, the Company shall publish an announcement if it knows or has reason to believe that the independent non-executive Directors and/or its auditors will not be able to confirm the terms of such transactions or the relevant annual cap not being exceeded. We are of the view that there are appropriate measures in place to govern the conduct of the Proposed Continuing Connected Transactions under the CCT Agreements and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Taking into account of the above principal factors and reasons, we consider that the terms of each of the CCT Agreements, including the respective Proposed Annual Caps and the transactions contemplated thereunder, are on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend to the Independent Shareholders, as well as the Independent Shareholders, to vote in favour of the ordinary resolutions to approve each of the Proposed Continuing Connected Transactions and the Proposed Annual Caps, as detailed in the notice of EGM set out on the pages 48 to 50 of the Circular.

Yours faithfully,
For and on behalf of
BaoQiao Partners Capital Limited
Monica Lin
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

A. Directors' or chief executives' interests in the securities and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the Directors and chief executives of the Company were, or were taken or deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer, to be notified to the Company and the SEHK are as follows:

Name of Director	Capacity	Number of Shares (Long position)	Approximate percentage of issued share capital of the Company
Mr. Cui Wei *Note 1*	Interest in controlled corporation	90,294,662	23.27%
Ms. Zhang Zhong *Note 2*	Interest in controlled corporation	28,082,525	7.24%
Mr. Du Xiping	Beneficial owner	11,468,000	2.96%

Notes:

1. Mr. Cui Wei, the Chairman and non-executive Director of the Company, beneficially owns the entire share capital of Kingever and accordingly is deemed to be interested in the Shares as held by Kingever by virtue of the SFO.

2. Ms. Zhang Zhong, the non-executive Director of the Company, beneficially owns the entire share capital of Wellahead Holdings Limited ("**Wellahead**") and accordingly is deemed to be interested in the Shares as held by Wellahead by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company has an interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer, to be notified to the Company and the SEHK.

B. Persons who have interests or short positions in Shares and underlying Shares

As at the Latest Practicable Date, so far as is known to the Directors and save as disclosed in the section headed "Directors' or chief executives' interests in the securities and debentures of the Company and its associated corporations" above, the following parties, had, or were deemed or taken to have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the SEHK under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Name of Shareholder	Capacity	Number of Shares (Long position)	Approximate percentage of issued share capital of the Company
Kingever [Note 1]	Beneficial owner	90,294,662	23.27%
Wellahead [Note 2]	Beneficial owner	28,082,525	7.24%

Notes:

1. Kingever is a company incorporated in the British Virgin Islands, the entire share capital of which is wholly and beneficially owned by Mr. Cui Wei, the Chairman and non-executive Director of the Company.

2. Wellahead is a company incorporated in the British Virgin Islands, the entire share capital of which is wholly and beneficially owned by Ms. Zhang Zhong, the non-executive Director of the Company.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, no other person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, a service contract with any member of the Group excluding contracts expiring or determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

4. COMPETING INTEREST

As at the Latest Practicable Date, the Directors were not aware that any of them or any of their respective close associates (as defined in the Hong Kong Listing Rules) had any interest in businesses which competes or is likely to compete, either directly or indirectly, with the business of the Group which would fall to be disclosed under Rule 8.10 of the Hong Kong Listing Rules.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2015, the date to which the latest audited consolidated financial statements of the Company were made up.

6. MATERIAL CONTRACTS

Save as disclosed below, no material contract (not being contract entered into in the ordinary course of business) has been entered into by any member of the Group within the two years preceding the Latest Practicable Date:

(a) the sale and purchase agreement (the "**Sale and Purchase Agreement**") dated 2 February 2016 entered into among (i) Hengxin (Jiangsu), as purchaser, (ii) Mr. Huang Hongwei, Mr. Wang Youcai, Mr. Chen Jiaxin, Mr. Song Ze, Mr. Wang Fang and Mr. Chen Yiguang, as vendors (collectively, the "**Vendors**"), and (iii) Mianyang City Siemax Industrial Co., Ltd.* (綿陽市思邁實業有限公司) ("**Mianyang Siemax**"), in relation to the acquisition of 24% equity interest in Mianyang Siemax by Hengxin (Jiangsu) from the vendors at a total consideration of RMB72 million (the "**Acquisition**"); and

(b) the supplemental agreement (the "**Supplemental Agreement**") dated 24 June 2016 entered into among (i) Hengxin (Jiangsu), (ii) the Vendors, (iii) Mianyang Siemax and (iv) Ms. Zhang Zhong and other Independent Third Parties, pursuant to which the parties have agreed to amend certain terms of the Sale and Purchase Agreement, including but not limited to reducing the total consideration from RMB72 million to RMB36 million.

Details of the Sale and Purchase Agreement and the Supplemental Agreement were disclosed by the Company in its announcements dated 2 February 2016 and 24 June 2016.

7. EXPERT AND CONSENT

BaoQiao Partners Capital Limited is a corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO.

BaoQiao Partners Capital Limited has confirmed that as at the Latest Practicable Date, it did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

BaoQiao Partners Capital Limited has given and has not withdrawn its written consent to the issue of this circular with reference to its name and inclusion of its letter in the form and context in which they appear herein.

As at the Latest Practicable Date, BaoQiao Partners Capital Limited did not have any interest, directly or indirectly, in any assets which had been, since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group.

8. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS

On 2 February 2016, Hengxin (Jiangsu), the Vendors and Mianyang Siemax entered into the Sale and Purchase Agreement in relation to the Acquisition of 24% equity interest in Mianyang Siemax by Hengxin (Jiangsu) from the Vendors. On 24 June 2016, Hengxin (Jiangsu), the Vendors, Mianyang Siemax, Ms. Zhang Zhong and other Independent Third Parties entered into the Supplemental Agreement pursuant to which the parties have agreed to amend certain terms of the Sale and Purchase Agreement.

As at the dates of the Sale and Purchase Agreement, the Supplemental Agreement and the Latest Practicable Date, Ms. Zhang Zhong, a non-executive Director of the Company, was interested in approximately 8.9% equity interest in Mianyang Siemax. Ms. Zhang Zhong was not the Vendors and no consideration has been paid by the Group to Ms. Zhang Zhong under the Sale and Purchase Agreement and the Supplemental Agreement. Details of the Sale and Purchase Agreement and the Supplemental Agreement were disclosed by the Company in its announcements dated 2 February 2016 and 24 June 2016.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which had been, since 31 December 2015, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to, or proposed to be acquired or disposed of by or leased to, any member of the Group, and none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant to the business of the Group.

9. MISCELLANEOUS

(a) The joint company secretaries of the Company are Mr. Chua Kern, who is a solicitor in Singapore, and Ms. Wong Wai Han, who is a solicitor in Hong Kong.

(b) The Company's principal share registrar and transfer office in Singapore is Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32–01, Singapore 048623 and the Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal office hours from Monday to Friday (other than public holidays) at the principal place of business of the Company in Hong Kong at 18th Floor, United Centre, 95 Queensway, Hong Kong from the date of this circular up to the date of the EGM (both days inclusive):

(a) the Constitution of the Company;

(b) the Raw Materials Purchase Master Agreement;

(c) the Products Sales Master Agreement;

(d) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;

(e) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 42 of this circular;

(f) the written consent from BaoQiao Partners Capital Limited referred to in the section headed "7. Expert and Consent" in this appendix;

(g) the contracts referred to in the section headed "6. Material Contracts" in this appendix;

(h) the annual reports of the Company for the two years ended 31 December 2014 and 2015; and

(i) this circular.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**Meeting**") of Hengxin Technology Ltd. (the "**Company**") will be held at 10:00 a.m., on Tuesday, 6 December 2016 at Room A, 1804A, 18/F, Tower 1, Admiralty Centre, 18 Harcourt Road, Admiralty, Hong Kong. Any Shareholder, depositor or proxy who wishes to take part in the Meeting from Singapore may attend via video conference which will be held at Conference Room, The Penthouse, 7 Temasek Boulevard, #44–01 Suntec Tower One, Singapore 038987. Any person attending the said video conference will be able to pose questions to the Company and to comment to the issues to be considered at the Meeting as set forth in this notice. The Meeting will be convened for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolutions as ordinary resolutions:

Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 18 November 2016.

AS ORDINARY RESOLUTIONS

1. To approve and confirm the Raw Materials Purchase Master Agreement dated 29 September 2016 entered into between Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, as purchaser, and Suzhou Hengli, as supplier (a copy of which shall be produced at the meeting marked "A" for identification purpose) and the terms and conditions thereof, and the transactions contemplated thereunder (including the proposed annual cap for each of the three years ending 31 December 2017, 2018 and 2019) and the performance and implementation thereof;

2. To approve and confirm the Products Sales Master Agreement dated 29 September 2016 entered into between Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, as supplier, and Suzhou Hengli, as purchaser (a copy of which shall be produced at the meeting marked "B" for identification purpose) and the terms and conditions thereof, and the transactions contemplated

* *For identification purpose only*

thereunder (including the proposed annual cap for each of the three years ending 31 December 2017, 2018 and 2019) and the performance and implementation thereof;

3. To approve, ratify and confirm the authorisation to any one Director of the Company for and on behalf of the Company, among other things, to sign, execute, perfect and/or deliver or to authorise signing, executing, perfecting and/or delivering (and to affix the Company's common seal to, if necessary, in accordance with the Constitution of the Company) the CCT Agreements and all such documents, instruments, agreements or deeds and to do or authorise doing all such other acts or things which he/she may in his/her discretion consider necessary, expedient or desirable in connection with or incidental to any of the matters contemplated under the CCT Agreements and the respective annual caps thereunder or to give effect to and implement the CCT Agreements, and to waive compliance from or make and agree such variations of a non-material nature to the terms of the CCT Agreements that the Directors may in their discretion consider to be desirable and in the interests of the Company and Shareholders as a whole and all the Directors' acts as aforesaid; and

4. To appoint KPMG LLP as the auditor of the Company and to authorise the Board to fix their remuneration.

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

Singapore, 18 November 2016

Notes:

1. A member of the Company (the "**Member**") entitled to attend and vote at the Meeting is entitled to appoint no more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a Member. Where a Member appoints more than one (1) proxy, the Member shall specify the proportion of his/her shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.

2. The instrument appointing a proxy, and if the instrument appointing a proxy is signed by an attorney, the letter or power of attorney or a duly certified copy thereof, must be deposited at the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32–01, Singapore 048623 (for Singapore Shareholders), or at the office of the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders), as soon as possible and in any event not later than forty-eight (48) hours before the time appointed for holding the Meeting (or at any adjournment thereof).

3. If the Member is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4. A depositor whose name appears in the Depository Register (as defined in Section 81SF of the Securities and Futures Act) of the Company and who is unable to attend personally but wishes to appoint a nominee to attend and vote on his/her behalf, or if such depositor is a corporation, should complete the depositor proxy form under seal or the hand of its duly authorised officer or attorney and lodge the same at the office of the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32–01, Singapore 048623 as soon as possible and in any event, not later than forty-eight (48) hours before the time appointed for the Meeting (or at any adjournment thereof).

5. Completion and return of the proxy form will not preclude a Member from attending and voting in person at the Meeting or any adjournment thereof should he/she so wish, and in such event, the proxy form shall be deemed to be revoked.

6. The Principal Share Registrar and Branch Share Registrar of the Company will be closed from Tuesday, 29 November 2016 to Tuesday, 6 December 2016 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending the Meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Principal Share Registrar in Singapore, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, Singapore Land Tower #32–01, Singapore 048623 (for Singapore Shareholders), or at the office of the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (for Hong Kong Shareholders) not later than 4: 30 p.m. on Monday, 28 November 2016.