

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



**HENGXIN TECHNOLOGY LTD.**  
**亨鑫科技有限公司\***

*(carrying on business in Hong Kong as HX Singapore Ltd.)*  
*(incorporated in Republic of Singapore with limited liability)*  
**(Stock Code: 1085)**

**CONTINUING CONNECTED TRANSACTION**

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



**BACKGROUND**

It has recently come to the Company's attention that Jiangsu Hengxin (a wholly-owned subsidiary of the Company), in its ordinary and usual course of business, procured the Logistic Services commencing from 2024 from Hengtong Logistics (a connected person of the Company) during the six months ended 30 June 2024 pursuant to a service agreement entered into between Jiangsu Hengxin and Hengtong Logistics on 15 December 2023 (the "**2023 Service Agreement**"). The aforesaid transactions constituted continuing connected transactions of the Company.

The aggregate transaction amount of the Logistic Services procured by Jiangsu Hengxin from Hengtong Logistics was approximately RMB14.1 million for the six months ended 30 June 2024 (the "**Historical Transactions for 1H2024**"). For the avoidance of doubt, Jiangsu Hengxin did not procure the Logistic Services before January 2024 and after June 2024. The Company calculated the applicable percentage ratios under the Listing Rules based on the amount of the Historical Transactions for 1H2024. As all of the applicable percentage ratios exceeded 0.1% but were less than 5%, such transactions were subject to the reporting, announcement and annual review requirements, but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

\* *For identification purpose only*

Nevertheless, due to inadvertent oversight, the Company failed to comply with relevant requirements for continuing connected transactions under Chapter 14A of the Listing Rules. The major reason for the Company's oversight was that local finance staff of Jiangsu Hengxin failed to report the relevant transactions to the headquarters of the Company in a timely manner.

Immediately after the Company became aware of the aforesaid failure to comply with relevant requirements for continuing connected transactions under Chapter 14A of the Listing Rules, Jiangsu Hengxin halted its procurement of the Logistic Services from Hengtong Logistics.

### **THE FRAMEWORK AGREEMENT**

Due to Jiangsu Hengxin's operational needs under its ordinary and usual course of business, on 1 August 2024, Jiangsu Hengxin and Hengtong Logistics entered into the Framework Agreement which supersedes the 2023 Service Agreement and governs the procurement of the Logistic Services by Jiangsu Hengxin from Hengtong Logistics for the three years ending 31 December 2026, subject to Independent Shareholders' approval.

### **LISTING RULES IMPLICATION**

As the highest applicable percentage ratio for the Framework Agreement calculated on an annual basis by reference to the highest Annual Cap is more than 5% and the highest Annual Cap exceeds HK\$10,000,000, the Framework Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **GENERAL**

The Company will convene the EGM to seek approval of the Independent Shareholders for the Framework Agreement, the transactions contemplated thereunder and the Annual Caps. Mr. Cui Wei and his associates are required to abstain from voting on the resolution for approving the Framework Agreement and the Annual Caps at the EGM.

A circular containing, among other things, (i) further details of the Framework Agreement and the Annual Caps; (ii) the advice from the Independent Board Committee; (iii) the advice to the Independent Board Committee and the Independent Shareholders of the Company from the Independent Financial Adviser; together with (iv) the notice convening the EGM, will be despatched by the Company to the Shareholders on or before 22 August 2024.

## BACKGROUND

It has recently come to the Company's attention that Jiangsu Hengxin (a wholly-owned subsidiary of the Company), in its ordinary and usual course of business, procured the Logistic Services commencing from 2024 from Hengtong Logistics (a connected person of the Company) during the six months ended 30 June 2024 pursuant to a service agreement entered into between Jiangsu Hengxin and Hengtong Logistics on 15 December 2023 (the "**2023 Service Agreement**").

As at the date of this announcement, (i) Hengtong Logistics is beneficially owned by Hengtong Group, Suzhou Hengtong Yongsheng Venture Capital Enterprise (Limited Partnership)\* (蘇州亨通永盛創業投資企業 (有限合夥)) and Mr. Cui Wei (chairman and non-executive Director of the Company and a substantial Shareholder) as to 51%, 30% and 19% respectively; (ii) Suzhou Hengtong Yongsheng Venture Capital Enterprise (Limited Partnership)\* (蘇州亨通永盛創業投資企業 (有限合夥)) is owned as to 99% by Suzhou Hengtong Investment Management Partnership (Limited Partnership)\* (蘇州亨通投資管理合夥企業 (有限合夥)) and 1% by Mr. Cui Wei respectively; (iii) Suzhou Hengtong Investment Management Partnership (Limited Partnership)\* (蘇州亨通投資管理合夥企業 (有限合夥)) is in turn owned by Hengtong Group, Mr. Cui Wei and Jiangsu Hengtong Venture Capital Co., Ltd.\* (江蘇亨通創業投資有限公司) as to approximately 59.03%, 40.16% and 0.81% respectively; and (iv) Hengtong Group is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 27% and 73% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei. Accordingly, the aforesaid transactions constituted continuing connected transaction of the Company.

The aggregate transaction amount of the Logistic Services procured by Jiangsu Hengxin from Hengtong Logistics was approximately RMB14.1 million for the six months ended 30 June 2024 (the "**Historical Transactions for 1H2024**"). For avoidance of doubt, Jiangsu Hengxin did not procure the Logistic Services before January 2024 and after June 2024. The Company calculated the applicable percentage ratios under the Listing Rules based on the amount of the Historical Transactions for 1H2024. As all of the applicable percentage ratios exceeded 0.1% but were less than 5%, such transactions were subject to the reporting, announcement and annual review requirements, but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Nevertheless, due to inadvertent oversight, the Company failed to comply with relevant requirements for continuing connected transactions under Chapter 14A of the Listing Rules. The major reason for the Company's oversight was that local finance staff of Jiangsu Hengxin failed to report the relevant transactions to the headquarters of the Company in a timely manner.

Immediately after the Company became aware of the aforesaid failure to comply with relevant requirements for continuing connected transaction under Chapter 14A of the Listing Rules, Jiangsu Hengxin halted its procurement of the Logistic Services from Hengtong Logistics.

Due to Jiangsu Hengxin's operational needs under its ordinary and usual course of business, on 1 August 2024, Jiangsu Hengxin and Hengtong Logistics entered into the Framework Agreement which supersedes the 2023 Service Agreement and governs the procurement of the Logistic Services by Jiangsu Hengxin from Hengtong Logistics for the three years ending 31 December 2026, subject to Independent Shareholders' approval.

## **THE FRAMEWORK AGREEMENT**

The principal terms of the Framework Agreement are set out below:

### **Date**

1 August 2024

### **Parties**

Jiangsu Hengxin and Hengtong Logistics

Hengtong Logistics is a company incorporated in the PRC with limited liability and is principally engaged in the provision of logistics services.

### **Subject Matter**

Pursuant to the Framework Agreement, Jiangsu Hengxin shall procure the Logistic Services from Hengtong Logistics during the three years ending 31 December 2026.

### **Pricing principle**

Jiangsu Hengxin and Hengtong Logistics will enter into individual contract for provision of specific Logistic Services. The service fee payable by Jiangsu Hengxin to Hengtong Logistics will be set out in the individual contract and will be determined based on service content, including but not limited to, distance and weight of cargo to be transported.

Prior to entering into an individual contract, purchasing department of Jiangsu Hengxin will obtain quotations from at least 3 suppliers who provide the Logistic Services (which may include Hengtong Logistics). The service fee payable by Jiangsu Hengxin to Hengtong Logistics shall be no less favourable to Jiangsu Hengxin than those payable to/quoted by independent third party suppliers.

## Annual Caps

The Annual Caps for each of the three years ending 31 December 2026 are as follows:

	<b>For the year ending 31 December 2024  (“FY2024”) RMB</b>	<b>For the year ending 31 December 2025  (“FY2025”) RMB</b>	<b>For the year ending 31 December 2026  (“FY2026”) RMB</b>
Annual Caps	30,000,000	39,300,000	43,300,000

The Annual Caps were determined based on Jiangsu Hengxin’s historical annual demand for the Logistics Services and its growing trend.

The amount of Jiangsu Hengxin’s procurement of the Logistic Services (from independent third party) increased by approximately 16% from approximately RMB22.7 million for the year ended 31 December 2021 to approximately RMB26.3 million for the year ended 31 December 2022 and further increased by approximately 14% to RMB30.0 million for the year ended 31 December 2023.

Based on the amount of Jiangsu Hengxin’s procurement of the Logistic Services (from independent third party) for the year ended 31 December 2023 and an estimated growth rate of 15%, Jiangsu Hengxin’s estimated demand for the Logistic Services will be approximately RMB34.5 million for FY2024. Given that Hengtong Logistics provided the Logistic Services of approximately RMB14.1 million to the Group for the six months ended 30 June 2024 and is expected to provide the Logistic Services of approximately RMB15.9 million to the Group from September to December 2024, the Annual Cap for FY2024 is set at RMB30 million.

Based on Jiangsu Hengxin’s estimated demand for the Logistic Services for FY2024 and an estimated growth rate of 15%, Jiangsu Hengxin’s estimated demand for the Logistic Services will be approximately RMB39.7 million for FY2025. Given that Jiangsu Hengxin normally procures the Logistic Services from the supplier which offered the lowest prices, it is possible for Jiangsu Hengxin to procure the Logistic Services mainly from Hengtong Logistics (assuming 90%) to satisfy its demand for FY2025. Together with a buffer of 10% (to cater for unforeseeable circumstances), the Annual Cap for FY2025 is set at RMB39.3 million.

Based on Jiangsu Hengxin’s estimated demand for the Logistic Services for FY2025 and an estimated growth rate of 10%, Jiangsu Hengxin’s estimated demand for the Logistic Services will be approximately RMB43.7 million for FY2026. Assuming the possibility for Jiangsu Hengxin to procure the Logistic Services mainly from Hengtong Logistics (90%) to satisfy its demand for FY2026, together with a buffer of 10% (to cater for unforeseeable circumstances), the Annual Cap for FY2026 is set at RMB43.3 million.

## **Condition precedent**

The Framework Agreement is conditional upon (i) the Company's compliance with the relevant Listing Rules requirements in relation to the Framework Agreement, including reporting, announcement, circular and independent shareholders' approval requirements; and (ii) the passing of the resolution by the Independent Shareholders at the EGM approving the Framework Agreements, the transactions contemplated thereunder and the Annual Caps.

## **INTERNAL CONTROL MEASURES**

The Company adopts the following internal control measures in respect of the Framework Agreement:

- (i) Prior to entering into an individual contract, purchasing department of Jiangsu Hengxin will obtain quotations from at least 3 suppliers who provide the Logistic Services (which may include Hengtong Logistics). The service fee payable by Jiangsu Hengxin to Hengtong Logistics shall be no less favourable to Jiangsu Hengxin than those payable to/quoted by independent third party suppliers.
- (ii) The financial controller of the Company and management of Jiangsu Hengxin will review and assess on a continuous and monthly basis whether the transactions are conducted in accordance with the terms of the Framework Agreement.
- (iii) The senior management of the Company will monitor the transactions under the Framework Agreement on a continuous and monthly basis to ensure that the amount of the transactions will not exceed the respective Annual Cap. If the amount of the transactions is close to the respective Annual Cap, the management of the Company will take action to revise the relevant Annual Cap or halt the relevant transactions, as appropriate.
- (iv) The Company's external auditors will conduct an annual review of the transactions to ensure that the amount of each of the transactions is within the respective Annual Cap and that such transactions are conducted in accordance with the terms set out in the Framework Agreement.
- (v) The independent non-executive Directors will conduct an annual review of the status of the transactions to ensure that the Company has complied with the internal approval procedures, the terms of the Framework Agreements and the relevant requirements under the Listing Rules.

## **REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT**

The Company is an investment holding company. The Group is principally engaged in the provision of digital technology and digital security products and services, the provision of new energy and services and the provision of telecommunications products and services.

Jiangsu Hengxin is principally engaged in 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.

In Jiangsu Hengxin's ordinary and usual course of business, Jiangsu Hengxin is occasionally responsible for transportation of raw material purchased from suppliers and products sold to customers. Accordingly, Jiangsu Hengxin requires the Logistic Services from time to time.

Prior to January 2024, Jiangsu Hengxin had been procuring the Logistic Services from independent third party. In December 2023, Hengtong Logistics offered lower service fee rates (as compared to those offered by independent third party) for provision of the Logistic Services to Jiangsu Hengxin. Accordingly, Jiangsu Hengxin and Hengtong Logistics entered into the 2023 Service Agreement and Jiangsu Hengxin procured the Logistic Services from Hengtong Logistics during the six months ended 30 June 2024.

### **Remedial actions**

Immediately after the Company aware of the failure to comply with relevant requirements for continuing connected transactions under Chapter 14A of the Listing Rules as described under the section headed "BACKGROUND" above, Jiangsu Hengxin halted its procurement of the Logistic Services from Hengtong Logistics.

The Company would like to emphasize that it has no intention to withhold any information from disclosure to the public as required under the Listing Rules and the incident was inadvertent and unintentional, and that it is a one-off incident and is not recurrent.

In order to avoid any recurrence of similar events in the future and to ensure the applicable Listing Rules requirements will be complied with going forward, the Company has taken the following steps to further strengthen its internal control procedures:

1. Provide regular trainings to the Group's employees, including the management and finance in-charge of the subsidiaries of the Group, to strengthen their knowledge of Listing Rules and improve their awareness of the importance of compliance with the relevant Listing Rules.
2. Continue to maintain, update and circulate list of connected persons of the Company to the Group's employees, including the management and finance in-charge of the subsidiaries of the Group. The list of connected persons of the Company will be reviewed, updated and circulated by senior management and the financial controller of the Company on (i) a monthly basis; and (ii) event-triggered basis when senior management and the financial controller of the Company are aware of any event that may lead to change in the list.

3. Notify and request all subsidiaries of the Company to (i) check the identity and ultimate beneficial owner(s) of counterparty of transactions (in particular, whether they are connected person of the Company; and (ii) report to the Company's headquarters and seek for approval before conducting any transaction with connected persons of the Company, the amount of which is above RMB300,000.
4. The financial controller and finance manager of the Company's headquarters will, on a continuous and monthly basis, check the report(s) from the Company's subsidiary(ies) and assess the Listing Rules implication on both standalone and aggregate basis.
5. Should there be any possible reporting, annual review, announcement and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules implied by the transaction(s) to be conducted with connected person of the Company, the Company's financial controller will notify the Board and the Board will assess relevant Listing Rules implications and take required action (if any) to comply with the applicable Listing Rules before conducting such transaction(s).

### **The Framework Agreement**

Due to Jiangsu Hengxin's operational needs under its ordinary and usual course of business, on 1 August 2024, Jiangsu Hengxin and Hengtong Logistics entered into the Framework Agreement which supersedes the 2023 Service Agreement and governs the procurement of the Logistic Services by Jiangsu Hengxin from Hengtong Logistics for the three years ending 31 December 2026, subject to Independent Shareholders' approval.

Under the Framework Agreement, Jiangsu Hengxin is not committed to procuring any of the Logistic Services from Hengtong Logistics. As aforementioned, prior to entering into an individual contract for the Logistic Services, purchasing department of Jiangsu Hengxin will obtain quotations from at least 3 suppliers who provide the Logistic Services (which may include Hengtong Logistics). The service fee payable by Jiangsu Hengxin to Hengtong Logistics shall be no less favourable to Jiangsu Hengxin than those payable to/quoted by independent third party suppliers.

Under this circumstance, Jiangsu Hengxin may save its logistic costs when it requires the Logistic Services.

Accordingly, the Framework Agreement was entered into in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors) consider that the terms of the Framework Agreement, the transaction contemplated thereunder and the Annual Caps, are fair and reasonable and are in the interest of the Company and Shareholders as a whole.



## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, (i) Hengtong Logistics is beneficially owned by Hengtong Group, Suzhou Hengtong Yongsheng Venture Capital Enterprise (Limited Partnership)\* (蘇州亨通永盛創業投資企業 (有限合夥)) and Mr. Cui Wei (chairman and non-executive Director of the Company and a substantial Shareholder) as to 51%, 30% and 19% respectively; (ii) Suzhou Hengtong Yongsheng Venture Capital Enterprise (Limited Partnership)\* (蘇州亨通永盛創業投資企業 (有限合夥)) is owned as to 99% by Suzhou Hengtong Investment Management Partnership (Limited Partnership)\* (蘇州亨通投資管理合夥企業 (有限合夥)) and 1% by Mr. Cui Wei respectively; (iii) Suzhou Hengtong Investment Management Partnership (Limited Partnership)\* (蘇州亨通投資管理合夥企業 (有限合夥)) is in turn owned by Hengtong Group, Mr. Cui Wei and Jiangsu Hengtong Venture Capital Co., Ltd.\* (江蘇亨通創業投資有限公司) as to approximately 59.03%, 40.16% and 0.81% respectively; and (iv) Hengtong Group is beneficially owned by Mr. Cui Genliang and Mr. Cui Wei as to 27% and 73% respectively. Mr. Cui Genliang is the father of Mr. Cui Wei. Accordingly, the transactions under the Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the Framework Agreement calculated on an annual basis by reference to the highest Annual Cap is more than 5% and the highest Annual Cap exceeds HK\$10,000,000, the Framework Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will convene the EGM to seek approval of the Independent Shareholders for the Framework Agreement, the transactions contemplated thereunder and the Annual Caps. Mr. Cui Wei and his associates are required to abstain from voting on the resolution for approving the Framework Agreement and the Annual Caps at the EGM.

The Independent Board Committee has been formed by the Company to consider the terms of the Framework Agreement and the Annual Caps. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Framework Agreement and the Annual Caps.

A circular containing, among other things, (i) further details of the Framework Agreement and the Annual Caps; (ii) the advice from the Independent Board Committee; (iii) the advice from Gram Capital to the Independent Board Committee and the Independent Shareholders; together with (iv) the notice convening the EGM, will be despatched by the Company to the Shareholders on or before 22 August 2024.

## **DEFINITIONS**

Unless the context requires otherwise, the following words and phrases used in this announcement have the following meanings:

“Annual Cap(s)”	the maximum annual value payable to by Jiangsu Hengxin from Hengtong Logistics for the procurement of the Logistic Services pursuant to the Framework Agreement
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of the directors of the Company
“Company”	Hengxin Technology Ltd., a company incorporated in Republic of Singapore with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1085)
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be held to approve the Framework Agreement and the transactions contemplated thereunder including the Annual Caps
“Framework Agreement”	the conditional framework agreement dated 1 August 2024 entered into between Jiangsu Hengxin and Hengtong Logistics, which supersedes the 2023 Service Agreement and governs the procurement of the Logistic Services by Jiangsu Hengxin from Hengtong Logistics for the three years ending 31 December 2026, subject to Independent Shareholders’ approval
“Group”	the Company and its subsidiaries
“Hengtong Group”	Hengtong Group Co., Ltd. (亨通集團有限公司)
“Hengtong Logistics”	江蘇亨通國際物流有限公司 (Jiangsu Hengtong International Logistics Company Limited*)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder, including the Annual Caps

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the Annual Caps
“Independent Shareholders”	Shareholders other than Mr. Cui Wei and his associates
“Jiangsu Hengxin”	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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Logistic Services”	the transportation services in relation to Jiangsu Hengxin’s raw materials purchased and/or products sold in the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the issued share capital of the Company
“Shareholder(s)”	holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

By Order of the Board  
**Hengxin Technology Ltd.**  
**Peng Yinan**  
*Executive Director*

Hong Kong, 1 August 2024

*As at the date of this announcement, the executive Directors of the Company are Mr. Peng Yinan and Dr. Song Haiyan; the non-executive Directors of the Company are Mr. Cui Wei, Mr. Du Xiping and Ms. Zhang Zhong; and the independent non-executive Directors of the Company are Mr. Qian Ziyang, Dr. Li Jun and Mr. Pu Hong.*

*\* For identification purpose only*