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## HENGXIN TECHNOLOGY LTD.

亨鑫科技有限公司\*

*(carrying on business in Hong Kong as HX Singapore Ltd.)*

*(incorporated in Singapore with limited liability)*

*(Singapore Registration No.: 200414927H)*

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

**(Singapore Stock Code: I85)**

### DISCLOSEABLE TRANSACTION

### ACQUISITION OF 24% EQUITY INTEREST IN MIANYANG SIEMAX

#### THE ACQUISITION

The Board is pleased to announce that on 2 February 2016, Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors and Mianyang Siemax, pursuant to which the Vendors have conditionally agreed to sell and Hengxin (Jiangsu) has conditionally agreed to purchase the Target Interests at a total consideration of RMB72 million (equivalent to approximately HK\$85,714,286).

#### LISTING RULES IMPLICATIONS

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

**The Acquisition is subject to the fulfilment of certain conditions precedent and may or may not proceed to completion. Shareholders and investors are advised to exercise caution when dealing in the Shares.**

#### THE ACQUISITION

The Board is pleased to announce that on 2 February 2016, Hengxin (Jiangsu), a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendors and Mianyang Siemax, pursuant to which the Vendors have conditionally agreed to sell and Hengxin (Jiangsu) has conditionally agreed to purchase the Target Interests at a total consideration of RMB72 million (equivalent to approximately HK\$85,714,286).

Major terms of the Sale and Purchase Agreement are set out below.

***Date***

2 February 2016

***Parties***

- (i) Purchaser: Hengxin (Jiangsu), a wholly-owned subsidiary of the Company
- (ii) Vendors: Mr. Huang Hongwei, Mr. Wang Youcai, Mr. Chen Jiaxin, Mr. Song Ze, Mr. Wang Fang and Mr. Chen Yiguang
- (iii) Mianyang Siemax

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Vendors, Mianyang Siemax and its ultimate beneficial owners (other than Ms. Zhang, a non-executive Director of the Company, holding 8.9% equity interest in Mianyang Siemax) are Independent Third Parties.

***Assets to be acquired***

The Target Interests, representing 24% equity interest in Mianyang Siemax and all the existing and future rights and interests attaching to such equity interest.

The equity interest to be acquired from each Vendor is as follows:

<b>Name of the Vendor</b>	<b>Equity interest to be acquired</b>
Mr. Huang Hongwei	8.2212%
Mr. Wang Youcai	7.7418%
Mr. Chen Jiaxin	3.237%
Mr. Song Ze	2.64%
Mr. Wang Fang	1.44%
Mr. Chen Yiguang	0.72%
<b>Total</b>	<b><u>24%</u></b>

***Consideration and payment terms***

Pursuant to the Sale and Purchase Agreement, the consideration for the Target Interests is RMB72 million (equivalent to approximately HK\$85,714,286), payable in cash by Hengxin (Jiangsu) in the following manners:

- (i) the first instalment of RMB18 million (equivalent to approximately HK\$21,428,571) shall be paid to the Vendors on a pro rata basis within 5 working days after the fulfilment of all the conditions precedent under the Sale and Purchase Agreement (more details below) and completion of the filing/registration procedures in respect of the Acquisition with the industrial and commercial authorities and other regulatory authorities of the PRC;

- (ii) the second instalment of RMB36 million (equivalent to approximately HK\$42,857,143) shall be paid to a designated account of Mianyang Siemax as the Vendors' shareholder loan (more details below) within 5 working days after (a) completion of the filing/registration procedures in respect of the Acquisition with the industrial and commercial authorities and other regulatory authorities of the PRC; (b) each of the Vendors having fully paid the individual income tax in respect of the second instalment of the Consideration and the relevant payment proof having been provided to Hengxin (Jiangsu) for review; and (c) the Vendors and Mianyang Siemax having completed the relevant procedures in relation to the provision of the second instalment of the Consideration as the Vendors' shareholder loan, and the relevant procedures having been reviewed by Hengxin (Jiangsu); and
- (iii) the third instalment and the balance of RMB18 million (equivalent to approximately HK\$21,428,571) shall be paid to the Vendors on a pro rata basis within 5 working days upon the issue of the audit report of Mianyang Siemax for the financial year ended 31 December 2015, subject to the Audited Net Profit of Mianyang Siemax and the achievement of the 2015 Guaranteed Profit. For details, please refer to the section headed "Profit Guarantee" below.

The Consideration was arrived at after arm's length negotiations between Hengxin (Jiangsu) and the Vendors, which was determined after taking into account, amongst other things (i) the growth potential and future development of the optical communications industry; and (ii) the Target Group's strengths with respect to the zirconia ceramics process technology. The Directors (including the independent non-executive Directors) are of the view that the Consideration for the Target Interests is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### ***Conditions precedent***

The Acquisition is conditional upon the following:

- (i) approval by the shareholders of Mianyang Siemax in respect of the transfer of the Target Interests from the Vendors to Hengxin (Jiangsu), and each shareholder of Mianyang Siemax shall have made a written declaration to surrender its/her/his pre-emptive right over the Target Interests;
- (ii) the capital amount payable by each Vendor to Mianyang Siemax for his equity interests in Mianyang Siemax shall have been fully paid and the relevant filing/registration procedures with the industrial and commercial authorities of the PRC shall have been completed;
- (iii) all the techniques and other intangible assets in relation to the manufacturing of ceramic ferrule owned by Mianyang Linkstar shall have been transferred to Mianyang Siemax;
- (iv) the operations of Mianyang Siemax and its subsidiaries are legal, subsisting and valid;
- (v) each of the Vendors shall have issued to Hengxin (Jiangsu) the payment instruction for the Consideration (save for the second instalment) in accordance with the Sale and Purchase Agreement;
- (vi) each of the Vendors shall have issued to Hengxin (Jiangsu) the payment instruction for the second instalment of the Consideration to a designated account of Mianyang Siemax as Vendors' shareholder loan to be provided to Mianyang Siemax;

- (vii) the representations and warranties given by the Vendors and Mianyang Siemax under the Sale and Purchase Agreement shall remain valid;
- (viii) the de facto controller(s), shareholders, directors and major operational officers of Mianyang Siemax (including but not limited to the Vendors) are not subject to any administrative or judicial investigations or penalty or any other unfavourable matters;
- (ix) the senior management and core employees of Mianyang Siemax shall have entered into an employment contract with Mianyang Siemax for a term of not less than eight years; and
- (x) the senior management and core employees of Mianyang Siemax shall have entered into a non-competition agreement with Mianyang Siemax, stipulating that during the course of employment and within two years after their departure from Mianyang Siemax, they shall not engage in any business, work or activities which is/are identical or similar to or in competition with the existing business of Mianyang Siemax.

Each of the Vendors and Mianyang Siemax shall procure fulfilment of all the above conditions precedent by the Long Stop Date (i.e. within 10 working days after the signing date of the Sale and Purchase Agreement or such other date designated by Hengxin (Jiangsu)), failure of which Hengxin (Jiangsu) may by written notice terminate the Sale and Purchase Agreement or postpone the Long Stop Date to another date.

#### ***Provision of shareholder loan***

Subject to the business development need of Mianyang Siemax, Hengxin (Jiangsu) agrees to, together with other shareholders of Mianyang Siemax (including the Vendors), provide a shareholder loan to Mianyang Siemax in proportion to its shareholding in Mianyang Siemax on terms no less favourable than those offered by the other shareholders of Mianyang Siemax. It is agreed under the Sale and Purchase Agreement that the amount of the shareholder loan to be provided by Hengxin (Jiangsu) to Mianyang Siemax shall be no more than RMB37,470,000 (equivalent to approximately HK\$44,607,143).

#### ***Profit Guarantee***

Pursuant to the Sale and Purchase Agreement, the Vendors have jointly and severally guaranteed the Audited Net Profit of Mianyang Siemax for each of the three financial years ended 31 December 2015 and ending 31 December 2016 and 31 December 2017 to be RMB10 million (the “**2015 Guaranteed Profit**”), RMB46 million (the “**2016 Guaranteed Profit**”) and RMB76 million (the “**2017 Guaranteed Profit**”) respectively.

In the event that (a) the Audited Net Profit of Mianyang Siemax for the financial year ended 31 December 2015 cannot meet the 2015 Guaranteed Profit, or (b) the total Audited Net Profit of Mianyang Siemax for the two financial years ending 31 December 2016 and 2017 cannot meet the sum of the 2016 Guaranteed Profit and the 2017 Guaranteed Profit, the Vendors shall pay the GP Compensation to Hengxin (Jiangsu) calculated in accordance with the following formula:

- (i) GP Compensation with respect to the 2015 Guaranteed Profit

$$= (2015 \text{ GP} - 2015 \text{ ANP}) \div \text{AGNP} \times \text{C}$$

(ii) GP Compensation with respect to the 2016 Guaranteed Profit and the 2017 Guaranteed Profit

$$= [(2016 \text{ GP} + 2017 \text{ GP}) - (2016 \text{ ANP} + 2017 \text{ ANP})] \div \text{AGNP} \times \text{C}$$

“2015 GP” shall mean 2015 Guaranteed Profit

“2015 ANP” shall mean the Audited Net Profit for the year ended 31 December 2015

“2016 GP” shall mean 2016 Guaranteed Profit

“2016 ANP” shall mean the Audited Net Profit for the year ending 31 December 2016

“2017 GP” shall mean 2017 Guaranteed Profit

“2017 ANP” shall mean the Audited Net Profit for the year ending 31 December 2017

“AGNP” shall mean the average of the 2015 Guaranteed Profit, the 2016 Guaranteed Profit and the 2017 Guaranteed Profit

“C” shall mean the Consideration

Pursuant to the Sale and Purchase Agreement, Hengxin (Jiangsu) is entitled to use the third instalment of the Consideration (i.e. RMB18 million) to set off any GP Compensation payable by the Vendors should the 2015 Guaranteed Profit cannot be met. In the event where (a) the third instalment of the Consideration is insufficient to pay the GP Compensation with respect to the 2015 Guaranteed Profit, or (b) the Vendors fail to settle the GP Compensation with respect to the 2015 Guaranteed Profit (after the set-off against the third instalment of the Consideration), the 2016 Guaranteed Profit and/or the 2017 Guaranteed Profit in cash within 10 working days after determination of the Audited Net Profit of Mianyang Siemax for the relevant financial year, Hengxin (Jiangsu) is entitled to request the Vendors to transfer their respective remaining equity interests in Mianyang Siemax in an amount equivalent to the outstanding GP Compensation to Hengxin (Jiangsu) at nil consideration.

In this connection, the Vendors shall pledge all their remaining equity interests in Mianyang Siemax after the Acquisition (i.e. 37.24% equity interest in Mianyang Siemax in total) as security for all their payment obligations under the Sale and Purchase Agreement. The Vendors also undertake that they will not pledge, create trust over or otherwise dispose of their equity interests in Mianyang Siemax during the Profit Guarantee period (other than those created in favour of or disposed to Hengxin (Jiangsu)) unless with Hengxin (Jiangsu)'s consent.

#### ***Terms of repurchase of the Target Interests***

Upon occurrence of any of the following events, Hengxin (Jiangsu) may request the Vendors to repurchase the Target Interests from it:

- (i) failure to meet 70% of the 2015 Guaranteed Profit, 2016 Guaranteed Profit and/or 2017 Guaranteed Profit for two consecutive years;
- (ii) Mianyang Siemax records a loss for any financial year during the Profit Guarantee period;

(iii) any breach of the Vendors' representations and warranties under the Sale and Purchase Agreement causing damages to Hengxin (Jiangsu) of RMB10 million (equivalent to approximately HK\$11,904,762) or more.

The price for repurchasing the Target Interests from Hengxin (Jiangsu) shall be the sum of the Consideration paid to the Vendors and the capital cost incurred by Hengxin (Jiangsu) calculated at the annual rate of 15% for the period from the date of payment of the Consideration to the date of payment for the price for repurchasing the Target Interests (both days inclusive).

### **Completion**

Pursuant to the Sale and Purchase Agreement, completion of the Acquisition shall be deemed to take place when all the filing/registration procedures in connection with the Acquisition (including but not limited to change of shareholders, constitutional documents, directors and supervisors) with the industrial and commercial authorities and other regulatory authorities of the PRC have been completed.

Upon completion of the Acquisition, the Company, through Hengxin (Jiangsu), will hold 24% equity interest in Mianyang Siemax, which financial statements will not be consolidated into that of the Group, and Hengxin (Jiangsu) shall be entitled to appoint 2 out of 7 members in the board of directors and 1 out of 2 supervisors of Mianyang Siemax.

### **INFORMATION OF MIANYANG SIEMAX AND ITS SHAREHOLDERS**

Mianyang Siemax is a company established in the PRC with limited liability on 24 November 2014 with a registered capital of RMB150 million. It is principally engaged in the manufacture of nano zirconia ceramic-related products.

As at the date of this announcement, Mianyang Siemax is held by the following persons:

<b>Shareholder of Mianyang Siemax</b>	<b>Shareholding in Mianyang Siemax</b>
<b>The Vendors</b>	
Mr. Huang Hongwei	16.12%
Mr. Chen Jiaxin	15.34%
Mr. Wang Youcai	15.18%
Mr. Song Ze	8.03%
Mr. Wang Fang	4.38%
Mr. Chen Yiguang	2.19%
<b>Other shareholders</b>	
Tongheng Equity ( <i>Note 1</i> )	27%
Ms. Zhang ( <i>Note 2</i> )	8.9%
Mr. Dai Qing ( <i>Note 3</i> )	2.86%
<b>Total</b>	<b>100%</b>

Notes:

1. Tongheng Equity is a limited partnership established in the PRC and is principally engaged in investments. As at the date of this announcement, Tongheng Equity and its ultimate beneficial owners are Independent Third Parties.
2. Ms. Zhang is a non-executive Director and therefore a connected person of the Company.
3. As at the date of this announcement, Mr. Dai Qing is an Independent Third Party.

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

	<b>For the year ended 31 December</b>	
	<b>2014</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<i>RMB'000</i>	<i>RMB'000</i>
Book value of the net assets	71,947	105,960
Net profit before tax	66	11,909
Net profit after tax	56	10,152

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Adopting its competitive advantage of deriving high quality zirconia ceramics products with its self-developed technology, Mianyang Siemax rides on these strengths and is able to manufacture products at competitive costs with product quality that is in line with industry requirements. Nano zirconia ceramic is found in many parts and components, such as mobile phone components, precision machinery parts and electrical components. Mianyang Siemax will initially focus its business development in the area of telecommunications, specifically for the supply of fibre optic ceramic ferrules.

As part of China's "Internet Plus" plans to improve broadband connections and fuel growth, the demand for fibre optic connectors will continue to be robust. As fibre optic ceramic ferrules form a main component of fibre optic connectors, the Company views it as an opportune time for such an investment as the Company's vast marketing networks in the same industry can serve as a bridge for Mianyang Siemax's business strategy. This synergistic effect is in line with the Company's focus to extend its operating footprint in the telecommunications industry. In addition, the Group's solid foundation provides an ease of access to its entrenched clientele network which will serve to accelerate Mianyang Siemax's expansion plans while continuing research and development work on advanced ceramics. In the medium term, this will bring added-value for the Company and its Shareholders.

The terms of the Sale and Purchase Agreement have been arrived at after arm's length negotiations among the parties. The Directors (including the independent non-executive Directors) consider that the Sale and Purchase Agreement has been entered into on normal commercial terms, the terms of the Sale and Purchase Agreement are fair and reasonable and the Acquisition is in the interests of the Company and its Shareholders as a whole.

## INFORMATION ON THE GROUP

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

Hengxin (Jiangsu), the purchaser of the Acquisition, is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment.

## LISTING RULES IMPLICATIONS

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

**The Acquisition is subject to the fulfilment of certain conditions precedent and may or may not proceed to completion. Shareholders and investors are advised to exercise caution when dealing in the Shares.**

## DEFINITIONS

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

“2015 Guaranteed Profit”	the guaranteed net profit of Mianyang Siemax for the financial year 2015 under the Sale and Purchase Agreement, being RMB10 million
“2016 Guaranteed Profit”	the guaranteed net profit of Mianyang Siemax for the financial year 2016 under the Sale and Purchase Agreement, being RMB46 million
“2017 Guaranteed Profit”	the guaranteed net profit of Mianyang Siemax for the financial year 2017 under the Sale and Purchase Agreement, being RMB76 million
“Acquisition”	the acquisition of the Target Interests by Hengxin (Jiangsu) from the Vendors pursuant to the Sale and Purchase Agreement
“Audited Net Profit”	the net profit before or after deduction of the non-recurring profit and loss of Mianyang Siemax, whichever is lower, as shown on its audit report prepared by a qualified audit firm to be appointed by Hengxin (Jiangsu)
“Board”	the board of Directors
“Company”	Hengxin Technology Ltd., a company incorporated in Singapore with limited liability and the Shares of which are primarily listed on the Main Board of the Stock Exchange and secondarily listed on Singapore Exchange Securities Trading Limited
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules



“Consideration”	the total consideration for the acquisition of the Target Interests under the Sale and Purchase Agreement, being RMB72 million (equivalent to approximately HK\$85,714,286)
“Director(s)”	the director(s) of the Company
“GP Compensation”	the compensation payable by the Vendors to Hengxin (Jiangsu) in the event where the 2015 Guaranteed Profit, the 2016 Guaranteed Profit and/or the 2017 Guaranteed Profit cannot be met, details of which are set forth in the section headed “Profit Guarantee” in this announcement
“Group”	the Company and its subsidiaries
“Hengxin (Jiangsu)”	Jiangsu Hengxin Technology Co., Ltd. (江蘇亨鑫科技有限公司), a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	person(s) or company(ies) which is/are third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	the date on which all the conditions precedent under the Sale and Purchase Agreement have been fulfilled, which should be no more than 10 working days after the signing date of the Sale and Purchase Agreement or such other date designated by Hengxin (Jiangsu)
“Mianyang Siemax”	Mianyang City Siemax Industrial Co., Ltd.* (綿陽市思邁實業有限公司), a limited liability company established in the PRC
“Ms. Zhang”	Ms. Zhang Zhong, a non-executive Director
“percentage ratio(s)”	has the meaning ascribed to this term under the Listing Rules
“PRC”	The People’s Republic of China, which, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Profit Guarantee”	the profit guarantee in respect of the performance of Mianyang Siemax for the three financial years 2015, 2016 and 2017 made by the Vendors under the Sale and Purchase Agreement, details of which are set forth in the section headed “Profit Guarantee” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC

“Sale and Purchase Agreement”	the agreement dated 2 February 2016 entered into among Hengxin (Jiangsu), the Vendors and Mianyang Siemax in relation to the Acquisition
“Share(s)”	ordinary share(s) in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Mianyang Siemax and its subsidiaries
“Target Interests”	24% of the equity interest in Mianyang Siemax and all the existing and future rights and interests attaching to such equity interest
“Tongheng Equity”	Shenzhen City Tongheng Equity Investment Fund Centre (Limited Partnership)* (深圳市同亨股權投資基金中心(有限合夥)), a limited partnership established in the PRC
“Vendors”	Mr. Huang Hongwei, Mr. Wang Youcai, Mr. Chen Jiaxin, Mr. Song Ze, Mr. Wang Fang and Mr. Chen Yiguang, and “Vendor” shall mean anyone of them
“Mianyang Linkstar”	Mianyang Linkstar Communication Technology Co., Ltd.* (綿陽市芯聯芯通信科技有限公司), a limited liability company established in the PRC
“%”	per cent

*For illustration purpose in this announcement only, amounts in RMB have been translated into HK\$ at the rate of HK\$1.00 = RMB0.84.*

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

Hong Kong, 2 February 2016

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

\* *For identification purposes only*