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 Republic of Singapore with limited liability)
(Hong Kong Stock Code: 1085)

VERY SUBSTANTIAL ACQUISITION AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE REMAINING EQUITY INTERESTS IN NANJING ZHANGYU AND SHANGHAI ZHANGYU

Financial adviser to the Company

邁時資本
MAXA CAPITAL

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

Gram Capital Limited
嘉林資本有限公司

The Board is pleased to announce that on 20 May 2024 (after trading hours of the Stock Exchange), the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendors and the Target Companies entered into the Equity Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Equity, representing the remaining 49% equity interest in each of the Target Companies, at the Consideration of RMB522.0 million in cash.

As at the date of this announcement, the Company indirectly holds 51% equity interest in each of the Target Companies and the Target Companies are non-wholly-owned subsidiaries of the Company. Upon Completion, the Company will hold the entire equity interest of the Target Companies indirectly through the Purchaser, and the financial statements of every company in the Target Group will continue to be consolidated into the financial statements of the Group.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Xuzhou Jinkan is ultimately owned as to approximately 99% by Mr. Peng Yinan, being an executive Director and a connected person of the Company under the Listing Rules. Accordingly, Xuzhou Jinkan is an associate of Mr. Peng Yinan and a connected person of the Company. As at the date of this announcement, Mr. Bai Yuanliao, being a substantial shareholder of Shanghai Zhangyu, is a connected person of the Company at the subsidiary level. The Acquisition therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Equity Purchase Agreement and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass resolution(s) to approve, among other things, the Equity Purchase Agreement and the transactions contemplated thereunder.

As Mr. Peng Yinan and Mr. Bai Yuanliao have material interests in the Acquisition, they and their associates are required to abstain from voting at the EGM on the resolution(s) approving the same. Save for the aforementioned and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition and is required to abstain from voting on the resolution(s) approving the Equity Purchase Agreement and the transactions contemplated thereunder at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) further information on the Acquisition; (ii) the letter of recommendation from the Independent Board Committee regarding the Equity Purchase Agreement and the transactions contemplated thereunder; (iii) the letter of advice from Gram

Capital to the Independent Board Committee and the Independent Shareholders regarding the Equity Purchase Agreement and the transactions contemplated thereunder; (iv) other information as required under the Listing Rules; and (v) a notice of the EGM and the proxy form for the EGM, is expected to be despatched to the Shareholders on or before 11 June 2024.

As the Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Equity Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the equity securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 20 May 2024 (after trading hours of the Stock Exchange), the Purchaser and the Vendors entered into the Equity Purchase Agreement pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell the Sale Equity, representing the remaining 49% equity interest in each of the Target Companies, at the Consideration of RMB522.0 million in cash.

THE EQUITY PURCHASE AGREEMENT

The principal terms of the Equity Purchase Agreement are summarized below:

Date

20 May 2024

Parties

(1) the Purchaser;

(2) the Vendors;

(3) Nanjing Zhangyu; and

(4) Shanghai Zhangyu

Equity interests to be acquired

Pursuant to the Equity Purchase Agreement, the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell the Sale Equity at the Consideration of RMB522 million. The Sale Equity represents 49% equity interest in each of the Target Companies as at the date of the Equity Purchase Agreement and immediately before the Completion.

Consideration

The Consideration of RMB522,000,000, among which the consideration for 49% equity interest in Shanghai Zhangyu and Nanjing Zhangyu is RMB127,000,000 and RMB395,000,000 respectively, shall be payable by the Purchaser to the Vendors in cash in accordance with the following manner:

(i) RMB52,200,000, representing 10% of the Consideration, shall be paid to Xuzhou Jinkan's designated account within 10 Business Days from the date of signing of the Equity Purchase Agreement; and

(ii) RMB469,800,000, representing 90% of the Consideration, shall be paid to the Vendors' designated accounts within 5 Business Days after all conditions precedent set out in the Equity Purchase Agreement are fulfilled or waived (as the case may be) and the registration of the industrial and commercial change of Sale Equity by parties in relation to the Acquisition is completed (subject to the Target Companies obtaining the business licenses after the industrial and commercial change), among which the Purchaser shall pay approximately RMB443.9 million to Xuzhou Jinkan and approximately RMB25.9 million to Mr. Bai Yuanliao.

The Consideration payable by the Purchaser is referenced to the pro rata shareholding of the Vendors in the Sale Equity and will be satisfied by internal resources of the Group and bank borrowings. The bank borrowings to be obtained by the Purchaser amounted to approximately RMB313.2 million, representing 60% of the Consideration, and will be fully utilised for the payment of the Consideration.

Basis of the Consideration

The Consideration was determined after arm's length negotiations between the parties to the Equity Purchase Agreement by taking into consideration of various factors, including but not limited to (i) the historical financial performance of the Target Companies; (ii) a preliminary valuation prepared by an Independent Valuer on the 100% equity interest of the Target Companies with aggregated market value of approximately RMB1,066.8 million as at 31 December 2023 (the "**Valuation Date**") under market approach, which is mainly based on Target Companies' financial performance for the year ended 31 December 2023 and the enterprise value-to-earnings before interest, taxes, depreciation and amortization ("**EV/EBITDA**") ratios of the comparable companies (the "**Valuation**"); (iii) the business development opportunities and prospects of the Target Group; and (iv) the benefits to be derived by the Group upon Completion as described under the section headed "REASONS AND BENEFITS OF THE ACQUISITION" in this announcement.

The Valuation was conducted on the following basis:

Methodology

In arriving at the assessed value, the Independent Valuer had considered three generally accepted approaches, namely, market approach, income approach and cost approach. In its opinion, the market approach was more appropriate than the income approach or the cost approach for valuing the Target Companies because (i) the income approach is not the most optimal approach as it involves long-term financial projections and the adoption of numerous assumptions, not all of which can be easily quantified or ascertained; and (ii) the cost approach is inappropriate for valuing the Target Companies, as it does not directly incorporate information about the economic benefits contributed by the Target Companies.

Market approach determines the value of underlying assets based on comparable listed companies or comparable transaction cases. Given that there were numerous listed companies in the industries which the Target Companies belong to, and such financial information of listed companies are easily accessible (for example, via financial databases such as Bloomberg, annual reports of the comparable companies), the Independent Valuer considered that valuing the Target Companies based on comparable listed companies was more appropriate.

In determining the benchmark multiples to be used in the Valuation, the Independent Valuer had considered different benchmark multiples and selected the EV/EBITDA ratio because it is suitable for profitable companies and can factor in the differences in balance sheet positions between the Subject Companies and the comparable companies.

In this case, the Independent Valuer used the adjusted EV/EBITDA ratios of the comparable companies, which were calculated based on the financial information as publicly disclosed and adjusted to reflect the difference in size between the comparable companies and the Subject Companies, to determine the fair value of the Target Companies by multiplying the EBITDA of the Subject Companies with the average adjusted EV/EBITDA ratio of the comparable companies, and then took into account of a discount for lack of marketability as the Target Companies are unlisted companies and a discount for lack of control as the Company only intends to acquire 49% equity interest in the Target Companies, which is considered to be a minority interest. When calculating the value of Nanjing Zhangyu, given its diverse business segments with significant revenue contributions, the valuation approach involved independently assessing its subsidiaries operating in different sectors, and the value of these subsidiaries was then aggregated to determine the overall value of Nanjing Zhangyu.

Assumptions

In determining the Valuation, the following general assumptions were adopted:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Target Companies;

- The operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- The facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge; and

- The Independent Valuer has assumed that there are no hidden or unexpected conditions associated with the Target Companies that might adversely affect the reported values. Further, it assumes no responsibility for changes in market conditions after the Valuation Date.

Selection basis of the comparable companies

The comparable companies were selected based on criteria such as public listing exchanges and duration, industry relevance, geographic focus, profitability, and data availability. These criteria are mainly used to match the business activities and operating status of the Subject Companies, ensuring that the selected comparable companies closely align with the Subject Companies. For the valuation of Nanjing Zhangyu, Wuxi Sihai, Zhejiang Zhongguang and Shanghai Zhangyu, the Independent Valuer had selected 12, 12, 8 and 6 comparable companies, respectively.

Nature and source of information relied upon

During the Valuation, the Independent Valuer relied on (i) the financial statements and audit reports of prior years provided by the Company and the Target Companies; and (ii) the financial data of the comparable companies as extracted from public source, such as Bloomberg, annual reports of the comparable companies, etc.

Conditions Precedent

Completion is conditional upon fulfillment or waiver of, among other things, the following conditions precedent:

(i) the Transaction Documents have been duly executed, delivered and become effective; and each party signing the Transaction Documents has fulfilled the relevant procedures such as internal approvals and authorizations of the corresponding shareholders' meeting (or the sole shareholder) of the parties and their respective direct or indirect parent companies and the board of directors, approvals by competent authorities (if required), approvals by government authorities (if required) in accordance with its constitution and the requirements of applicable laws and regulations;

(ii) the representations and warranties made by the Vendors and the Target Companies in the Equity Purchase Agreement are true, accurate, complete and not misleading. The obligations, commitments and covenants set forth in the Equity Purchase Agreement which are to be performed by the Target Group or the Vendors on or before the Completion Date have been performed;

(iii) the Vendors have established a legal and valid account with a designated financial institution recognized by the Purchaser and the seal related to such account has been deposited with the Purchaser or Purchaser's designated third party or joint custody and the supervisory measures are approved by the Purchaser;

(iv) Xuzhou Jinkan and Mr. Bai Yuanliao as shareholders of Shanghai Zhangyu have consented to the Acquisition in writing and agreed to waive their pre-emptive rights, and such written consents are recognized by the Purchaser;

(v) the Vendors have reached a written agreement with the Purchaser regarding the relevant entities under the Target Group, including Shanghai Zhangyu, SZSC, Nanjing Zhangyu and Wuxi Sihai, Longkong Zhongguang, Zhejiang Zhongguang, Heli Qinghai, Zhongguang Qinghai, Qinghai Zhongkong and Qinghai Solar in relation to the removal, assignment and/or arrangement of the legal representatives, the board of directors (and directors), the board of supervisors (and supervisors) and senior management of each entity after the Acquisition;

(vi) the Target Group has entered into labor contracts, confidentiality agreements, intellectual property rights vesting agreements and non-competition agreements with all key employees and management shareholders of the Target Group on the terms and conditions approved by the Purchaser;

(vii) the Target Companies and its shareholders have executed all necessary written documents for the purpose of filing the change of registration with the competent registration authority for the Acquisition in form and substance satisfactory to the Purchaser;

(viii) the absence of one or more events (including the absence of any event of default under the Equity Purchase Agreement) prior to the Completion Date that would have a material adverse effect and no evidence of the occurrence of such event(s) that could have a material adverse effect;

(ix) the Vendors have sent to the Purchaser a notice of payment containing information about the Vendors' designated collection accounts in accordance with the relevant agreement;

(x) the Purchaser has applied for and obtained the approval for bank borrowings and the Purchaser has provided the Vendors with the relevant approval documents;

(xi) the Vendor and the Target Companies have delivered a completion satisfaction letter in the form as specified in the Equity Purchase Agreement confirming the conditions precedent set out in the Equity Purchase Agreement have been satisfied or waived;

(xii) Xuzhou Jinkan has completed the procedures to cancel the registrations for each of the pledge of 39% equity of Shanghai Zhangyu and the pledge of 49% equity of Nanjing Zhangyu; and

(xiii) the Company has obtained Independent Shareholders' approval of the Equity Purchase Agreement and the transactions contemplated thereunder at its general meeting.

Condition precedent (x) was included as one of the conditions precedent under the Equity Purchase Agreement to secure the availability of funding for the payment of Consideration before the Completion without affecting the planning of the Group's usage of internal funding. In the event that condition precedent (x) is not fulfilled within 3 months after the date of the Equity Purchase Agreement, condition precedent (x) shall be deemed to be waived by the Vendors if the Vendors and the Purchaser are able to agree on the payment arrangement. If the condition precedent (x) is not deemed to be waived by the Vendors, Completion will not take place and the Equity Purchase Agreement shall be terminated in accordance with the terms therein. Save for the condition precedent (xiii) above which could not be waived and the condition precedent (x) which could be waived by the Vendors, all other conditions precedent could be waived by the Purchaser.

Completion

The Completion shall take place on the Completion Date upon all conditions set out in the Equity Purchase Agreement are satisfied or waived (as the case may be).

Upon the Completion, the Company will indirectly own the entire equity interest of the Target Companies; each of the Target Companies will become an indirect wholly-owned subsidiary of the Company; and the financial statements of every company in the Target Group will continue to be consolidated into the financial statements of the Group.

INFORMATION ABOUT THE PARTIES TO THE EQUITY PURCHASE AGREEMENT

Information of the Group and the Company

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.

Information of the Purchaser

The Purchaser is a company established under the PRC laws with limited liability and its principal activity is investment holding. As of the date of this announcement, the Purchaser is an indirect wholly-owned subsidiary of the Company.

Information of the Target Companies

Nanjing Zhangyu is a company established under the PRC laws with limited liability and principally engaged in the development, design and sale of integrated circuits, digital products, computer hardware, computer technology application and software, as well as technology consultation and technology services. As at the date of this announcement, Nanjing Zhangyu is held as to 51% indirectly by the Company and 49% directly by Xuzhou Jinkan.

As at the date of the announcement, Wuxi Sihai, Qinghai Zhongkong, Qinghai Solar, Zhongguang Qinghai, Zhejiang Zhongguang, Longkong Zhongguang are the major operating subsidiaries of Nanjing Zhangyu, of which (i) Wuxi Sihai is principally engaged in chip design and mass production services and system integration services; (ii) Qinghai Zhongkong, Qinghai Solar and Zhongguang Qinghai are principally engaged in the supply of electricity with a focus on the production and sales of solar power as well as the provision of development consultation and technical services of the solar thermal power generation technology; (iii) Zhejiang Zhongguang is principally engaged in provision of related technical and consultancy services; and (iv) Longkong Zhongguang is principally engaged in enterprise management consulting.

Shanghai Zhangyu is a company established under the PRC laws with limited liability and principally engaged in the provision of cyber security and software solution in the financial sector. As at the date of this announcement, Shanghai Zhangyu is held as to 51% indirectly by the Company, 39% directly by Xuzhou Jinkan and 10% by Mr. Bai Yuanliao.

Set out below are the financial information of the Target Companies for the years ended 31 December 2022 and 2023, which were prepared in accordance with International Financial Reporting Standards:

Nanjing Zhangyu

	For the year ended 31 December 2023 ***RMB'000*** ***(unaudited)***	For the year ended 31 December 2022 *RMB'000* *(unaudited)*
Profit before taxation	71,315	39,216
Profit after taxation	61,432	36,260

Based on the unaudited consolidated financial statement of Nanjing Zhangyu, the net assets of Nanjing Zhangyu as at 31 December 2023 were approximately RMB865,532,000.

Shanghai Zhangyu

	For the year ended 31 December 2023 *RMB'000* *(unaudited)*	For the year ended 31 December 2022 *RMB'000* *(unaudited)*
Profit before taxation	19,890	6,503
Profit after taxation	17,218	6,389

Based on the unaudited consolidated financial statement of Shanghai Zhangyu, the net assets of Shanghai Zhangyu as at 31 December 2023 were approximately RMB21,004,000.

Information of the Vendors

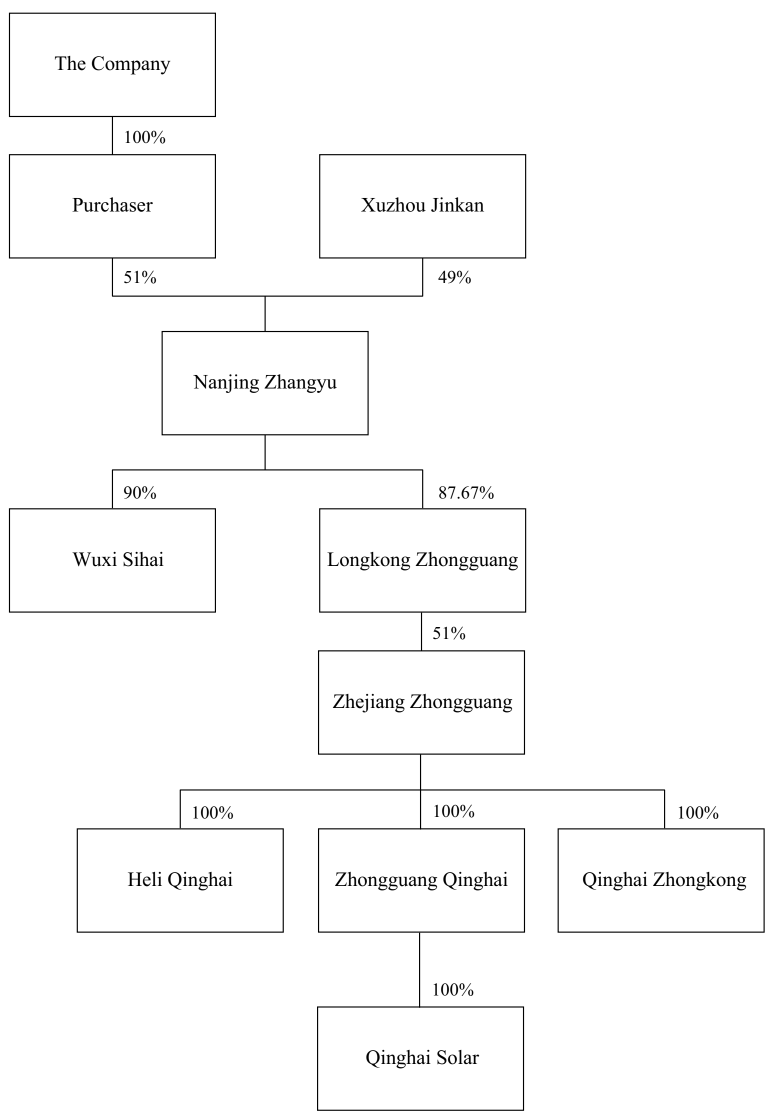
Xuzhou Jinkan is a limited partnership established under the laws of the PRC and its principal activity is investment holding. As at the date of this announcement, the equity interest in Xuzhou Jinkan is owned as to 99% by Shanghai Gaolai (as the limited partner) (which is in turn held as to approximately 99% by Mr. Peng Yinan and 1% by Mr. Gao Xi) and 1% by Mr. Xu Huigeng (as the general partner). Mr. Gao Xi and Mr. Xu Huigeng are Independent Third Parties.

Mr. Bai Yuanliao is an individual who is a PRC resident.

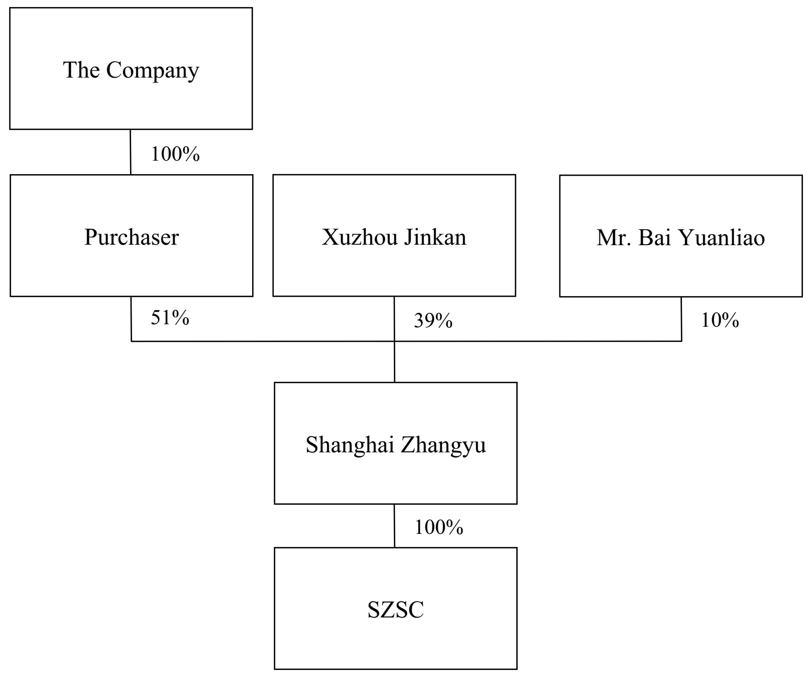
Mr. Peng Yinan is the founder of the Target Companies. The original acquisition cost of the 10% equity interest of Shanghai Zhangyu to Mr. Bai Yuanliao was approximately RMB1,000,000.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE TARGET COMPANIES

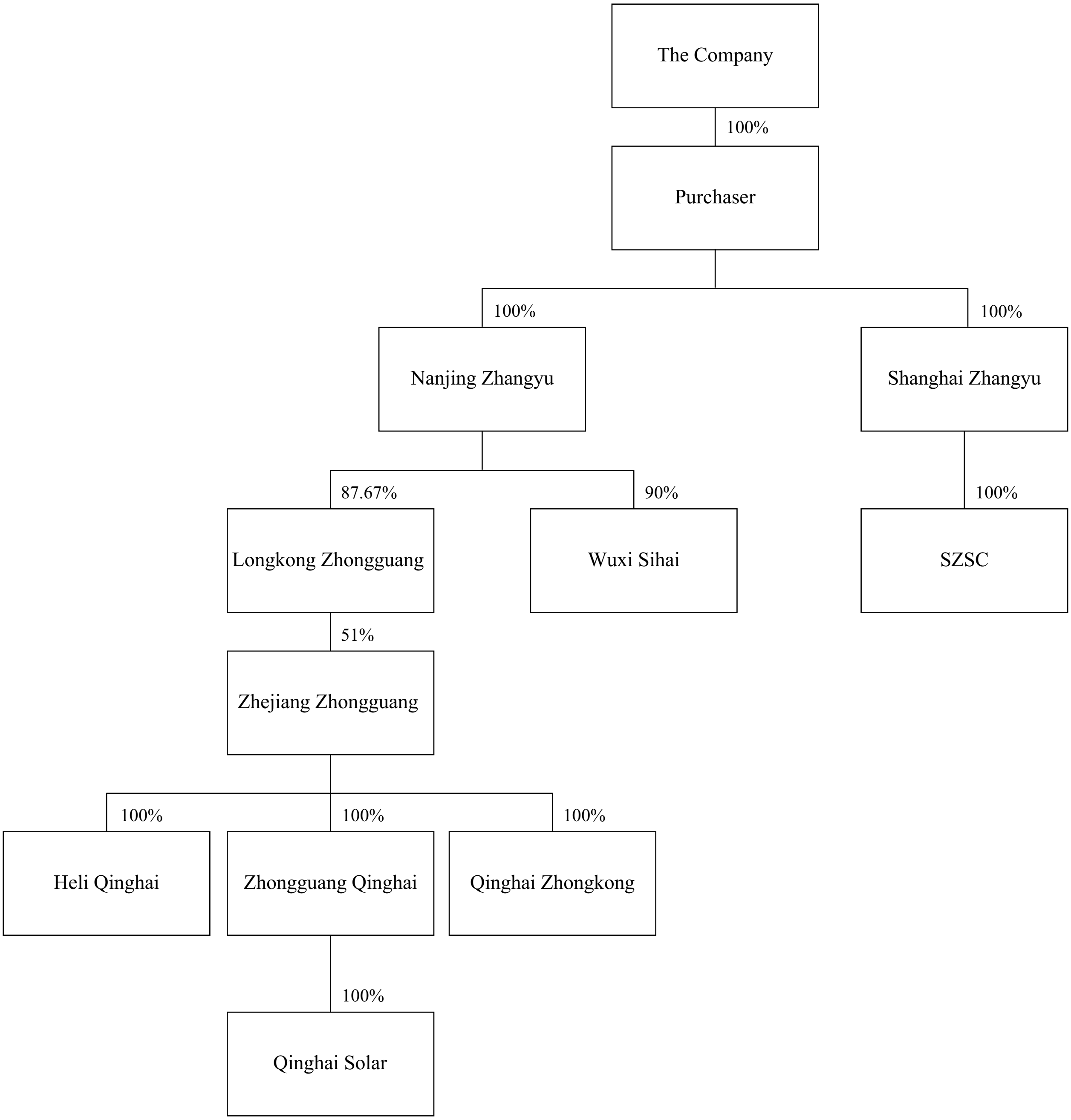
Before the Acquisition, the simplified shareholding structure of Nanjing Zhangyu was as follows:



Before the Acquisition, the simplified shareholding structure of Shanghai Zhangyu was as follows:



Immediately after the completion of the Acquisition, the simplified shareholding structure of the Target Companies will be as follows:



REASONS FOR AND BENEFITS OF THE ACQUISITION

On 5 May 2022, the Company announced the acquisition of 51% equity interest in each of the Target Companies, which was subsequently completed on 19 July 2022 (the "**First Acquisition**"). Following the completion of the First Acquisition, the Company has formed the digital technology and digital security business segment, which is primarily operated by Nanjing Zhangyu, Shanghai Zhangyu, and Wuxi Sihai (together with SZSC collectively known as "**Original Zhangyu Group**"). On 31 May 2023, the Company announced the acquisition of 51% equity interest in Zhejiang Zhonggunag through Nanjing Zhangyu, which was subsequently completed on 21 July 2023. Thereafter, the Company has formed the new energy and service business segment, which is primarily operated by Qinghai Zhongkong, Qinghai Solar, Zhongguang Qinghai, Zhejiang Zhongguang and Longkong Zhongguang.

As disclosed in the annual report of the Company for the year ended 31 December 2023, the digital technology and digital security business segment contributed a revenue of approximately RMB202.7 million for the year ended 31 December 2023, representing a significant increase in revenue of approximately RMB108.5 million or 115.1% as compared to the previous year, whereas the new energy and service business segment contributed a revenue of approximately RMB77.1 million in the second half of 2023. For the year ended 31 December 2023, the digital technology and digital security business segment and the new energy and service business segment have achieved a gross profit margin of 41.7% and 61.8%, respectively, while the telecommunications business segment achieved a gross profit margin of approximately 15.3%. Due to continuous fierce market competition in relation to the Group's telecommunications business, it is vital for the Group to further strengthen its digital technology and digital security business and new energy and services business (collectively known as the "**Zhangyu Related Businesses**") with higher gross profit margins.

In order to facilitate the development and operation of the Target Companies, the Purchaser (i) has granted two loans, with the principal amount of RMB40,000,000 and RMB210,000,000, and an interest rate of 4.9% per annum to Nanjing Zhangyu, details of which can be referred to the circular of the Company dated 11 April 2024; and (ii) has raised net proceeds of approximately HK$72.6 million from the placing that completed on 13 May 2024, which will be used mainly for the development and expansion of the digital technology and digital security business and new energy and services business.

Having considered that (i) the digital technology and digital security business is expected to be continually benefited from the supportive policies released by the PRC government, such as the "Guideline on the Global Layout for Digital China Construction" (數字中國建設整體佈局規劃) issued by the Central Committee of the Communist Party of China and the State Council, which greatly promote the digital construction in China; (ii) the PRC government has been advocating for the adoption of renewable energy by releasing supportive policies and plans, such as the 14th Five Year Plan for Renewable Energy, which targets a 50% increase in renewable energy generation from 2020 to 2025; (iii) the new business opportunities would arise from the Zhangyu Related Businesses based on the continuous capital investments by the Group in respect of the research and developments and business development of the Target Group; (iv) as at the date of this announcement, saved for the capital investments as mentioned above for the development and expansion of the digital technology and digital security business and new energy and services business and without any exceptional and unforeseeable circumstances, it is expected no further capital investment will be made into the Target Companies based on the existing business planning; and (v) the profit guarantee by the Target Companies in accordance to the Previous Equity Purchase Agreement has been fulfilled (i.e., the aggregate audited net profit after tax (excluding non-recurring income) of Original Zhangyu Group for the year ended 31 December 2022 was no less than RMB40 million and the aggregate audited net profit after tax (excluding non-recurring income) of Original Zhangyu Group for the two years ended 31 December 2022 and 31 December 2023 was no less than RMB115 million), the Board is of the view that the Acquisition is an important and pivotal move that aligns with the Group's long-term business development strategy and asset allocation strategy to further strengthen the business layout in the Zhangyu Related Businesses and it is expected the Acquisition would have a positive and crucial impact on the Group's future development and the sustainability of profitability.

As at the date of this announcement, the Company currently indirectly holds 51% equity interest in each of the Target Companies, and upon completion of the Acquisition, the Target Companies will become indirect wholly-owned subsidiaries of the Company. The Board is of the view that the Acquisition will also allow the Group to gain full control over the management and operations of the Target Companies, simplify the decision-making process and enable the Company to implement strategic plans that are consistent with the Company's business objectives in a timely manner. Furthermore, once the Target Companies become wholly-owned subsidiaries of the Company upon the Completion, the Company would also be able to streamline the regulatory reporting and approval procedures, resulting in cost savings related to connected transactions involving the Target Companies, and hence improve the efficiency of operation.

As at the date of this announcement, the Company has (i) no plan to change the composition of the Board after the Acquisition; and (ii) no intention, arrangement, agreement, understanding or negotiation to downsize or dispose of the existing telecommunication business of the Group. The Company will continue to monitor and review the Group's business and operations from time to time, and may take steps that it deems necessary or appropriate to optimise the value of the Group.

The Equity Purchase Agreement was arrived at after arm's length negotiations between the parties. The Directors (excluding the independent non-executive Directors who will give their opinion based on the recommendations from Independent Financial Adviser) are of the view that the Acquisition is on normal commercial terms, fair and reasonable, and in the interest of the Company and the Shareholders as a whole. As Mr. Peng Yinan has a material interest in the Acquisition, he was abstained from voting on the relevant resolutions of the Board approving the Acquisition.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio in respect of the Acquisition is more than 100%, the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement, circular and shareholder's approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Xuzhou Jinkan is ultimately owned as to approximately 99% by Mr. Peng Yinan, being an executive Director and a connected person of the Company under the Listing Rules. Accordingly, Xuzhou Jinkan is an associate of Mr. Peng Yinan and a connected person of the Company. As at the date of this announcement, Mr. Bai Yuanliao, being a substantial shareholder of Shanghai Zhangyu, is a connected person of the Company at the subsidiary level. The Acquisition therefore also constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Equity Purchase Agreement and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, pass resolution(s) to approve, among other things, the Equity Purchase Agreement and the transactions contemplated thereunder

As Mr. Peng Yinan and Mr. Bai Yuanliao have material interests in the Acquisition, they and their associates are required to abstain from voting at the EGM on the resolution(s) approving the same. Save for the aforementioned and to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition and is required to abstain from voting on the resolution(s) approving the Equity Purchase Agreement and the transactions contemplated thereunder at the EGM.

DESPATCH OF CIRCULAR

A circular containing, among others, (i) further information on the Acquisition; (ii) the letter of recommendation from the Independent Board Committee regarding the Equity Purchase Agreement and the transactions contemplated thereunder; (iii) the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders regarding the Equity Purchase Agreement and the transactions contemplated thereunder; (iv) other information as required under the Listing Rules; and (v) a notice of the EGM and the proxy form for the EGM, is expected to be despatched to the Shareholders on or before 11 June 2024.

As the Completion is conditional upon fulfilment or waiver (as the case may be) of the conditions precedent to the Equity Purchase Agreement, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the equity securities of the Company.

DEFINITIONS

In this announcement, the following terms and expressions used herein shall have the following meanings unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Equity from the Vendors by the Purchaser pursuant to the terms and conditions of the Equity Purchase Agreement
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day excluding Saturdays, Sundays and statutory holidays in the PRC
"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)
"Completion"	completions of the Acquisition in accordance with the Equity Purchase Agreement
"Completion Date"	a date which falls within three (3) days after the satisfaction or waiver (where applicable) of the conditions precedent set out in the Equity Purchase Agreement or such later date as may be agreed by the Vendors and the Purchaser
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	RMB522 million, being the consideration of the Acquisition

"Cosin Solar"	Cosin Solar Technology Co., Ltd. (浙江可勝技術股份有限公司), a company established under the PRC laws with joint stock limited liability. As at the date of this announcement, Cosin Solar is owned as to (i) approximately 22.58% by Huzhou Yuri Enterprise Management Enterprise Partnership (Limited Partnership)* (湖州煜日企業管理合夥企業(有限合夥)) ("**Huzhou Yuri**"), whose equity interest is owned as to approximately 93.34% by Mr. Jin Jianxiang and approximately 6.66% by 7 other shareholders (each holds less than 10% equity interest of Huzhou Yuri); and (ii) approximately 77.42% by 37 other shareholders (each holds less than 10% equity interest of Cosin Solar). Mr. Jin Jianxiang is a director of Zhejiang Zhongguang. As Zhejiang Zhongguang is an indirect non-wholly-owned subsidiary of the Company, Mr. Jin Jianxiang is a connected person of the Company at the subsidiary level
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be held for the Shareholders to, among other things, consider and, if thought fit, approve the transactions contemplated under the Equity Purchase Agreement
"Equity Purchase Agreement"	the conditional equity purchase agreement dated 20 May 2024 and entered into among the Purchaser, the Vendors and the Target Companies in respect of the Acquisition

"Fuju Zhongguang"	Ningbo Fuju Zhongguang Venture Capital Enterprise Partnership (Limited Partnership)* (寧波復聚中光創業投資合夥企業(有限合夥)), a partnership established under the PRC laws with limited liability. As at the date of this announcement, Fuju Zhongguang is owned as to (i) approximately 31.99% by Ningbo Fuju Kunsheng Venture Capital Enterprise Partnership (Limited Partnership)* (寧波復聚坤晟創業投資合夥企業(有限合夥)) ("**Fuju Kunsheng**"), which is owned by 17 shareholders (each holds less than 30% of the equity interest of Fuju Kunsheng); (ii) approximately 28.25% by Cosin Solar; (iii) approximately 25.42% by Ningbo Funeng Venture Capital Enterprise Partnership (Limited Partnership)* (寧波復能創業投資合夥企業 (有限合夥), which is owned as to approximately 99.01% by Huzhou Wuxing Husheng Investment Consulting Co., Ltd.* (湖州吳興湖盛投資諮詢有限責任公司) (which is 100% ultimate beneficially owned by Huzhoushi Wuxingqu State-owned Assets Supervision and Administration Services Centre) and approximately 0.99% by Zhejiang Fuju Investment Management Co., Ltd.* (浙江復聚投資管理有限公司); and (iv) approximately 14.34% by 3 other shareholders (each holds less than 10% equity interest of Fuju Zhongguang). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Fuju Zhongguang and its ultimate beneficial owners are Independent Third Parties
"Group"	the Company and its subsidiaries from time to time
"Hangzhou Jingneng"	Hangzhou Jingneng Huichu Enterprise Management Enterprise Partnership (Limited Partnership)* (杭州淨能慧儲企業管理合夥企業(有限合夥)), a partnership established under the PRC laws with limited liability. As at the date of this announcement, Hangzhou Jingneng is owned as to 90% by Mr. Ye Jing, who is an Independent Third Party and 10% by Mr. Jin Jianxiang, who is a connected person of the Company at the subsidiary level
"Heli Qinghai"	Heli (Qinghai) Operation and Maintenance Technology Co., Ltd* (和力(青海)運維技術有限公司), a company established under the PRC laws with limited liability and is an indirect non-wholly-owned subsidiary of Nanjing Zhangyu. As at the date of this announcement, Heli Qinghai is wholly owned by Zhejiang Zhongguang
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"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 terms of the Equity Purchase Agreement and the transactions contemplated thereunder
"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 to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition
"Independent Shareholders"	shareholders who do not have any material interest in the transaction under the Equity Purchase Agreement, namely the Shareholders other than Mr. Peng Yinan, Mr. Bai Yuanliao and their associates
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which, as far as the Directors are aware after having made all reasonable enquiries, is/are not a connected person(s) of the Company within the meaning of the Listing Rules
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer to appointed to appraise the valuation of 100% equity interest of the Target Companies as at 31 December 2023
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Longkong Zhongguang"	Hangzhou Longkong Zhongguang Enterprise Holding Enterprise Partnership (Limited Partnership)* (杭州龍控中光企業控股合夥企業(有限合夥)), a partnership established under the PRC laws with limited liability and a direct non-wholly-owned subsidiary of Nanjing Zhangyu. As at the date of this announcement, Longkong Zhongguang is owned as to approximately 87.67% by Nanjing Zhangyu and approximately 12.33% by Cosin Solar
"Nanjing Zhangyu"	Nanjing Zhangyu Information Technology Co., Ltd* (南京掌御信息科技有限公司), a company established under the PRC laws with limited liability and an indirect non-wholly-owned subsidiary of the Company

"PRC"	the People's Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Previous Equity Purchase Agreement"	the conditional equity purchase agreement entered into between the Purchaser and Xuzhou Jinkan in relation to the acquisition of the 51% equity interest in each of the Target Companies on 5 May 2022
"Purchaser"	Xin Ke Xin (Suzhou) Technology Co., Ltd.* (鑫科芯(蘇州)科技有限公司), a company established under the PRC laws with limited liability and an indirect wholly-owned subsidiary the Company
"Qinghai Solar"	Qinghai Zhongkong Solar Power Co., Ltd.* (青海眾控太陽能發電有限公司), a company established under the PRC laws with limited liability and is an indirect non-wholly-owned subsidiary of Nanjing Zhangyu. As at the date of this announcement, Qinghai Solar is wholly owned by Zhongguang Qinghai
"Qinghai Zhongkong"	Qinghai Zhongkong Solar Energy Generation Co., Ltd.* (青海中控太陽能發電有限公司), a company established under the PRC laws with limited liability and is an indirect non-wholly-owned subsidiary of Nanjing Zhangyu. As at the date of this announcement, Qinghai Zhongkong is wholly owned by Zhejiang Zhongguang
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Equity"	49% equity interest in Nanjing Zhangyu and 49% equity interest in Shanghai Zhangyu
"Shanghai Gaolai"	Shanghai Gaolai Management Consulting Partnership (Limited Partnership)* (上海皋萊管理諮詢合夥企業(有限合夥)), a partnership established under the PRC laws with limited liability which is principally engaged in investment holding
"Shanghai Longyuan"	Shanghai Longyuan Culture Media Co., Ltd.* (上海龍垣文化傳媒有限公司), a company established under the PRC laws with limited liability. As at the date of this announcement, Shanghai Longyuan is owned as to 95% by Mr. Gao Xi, who is an Independent Third Party, and 5% by Mr. Peng Yinan

"Shanghai Zhangyu"	Shanghai Zhangyu Information Technology Co., Ltd.* (上海掌御信息科技有限公司), a company established under the PRC laws with limited liability and an indirect non-wholly-owned subsidiary of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subject Companies"	collectively, Nanjing Zhangyu, Shanghai Zhangyu, Wuxi Sihai and Zhejiang Zhongguang
"substantial shareholder"	has the meaning ascribed to it under the Listing Rules
"SZSC"	Shanghai Zhangyu Semiconductor Co., Ltd.* (上海掌御半導體有限公司), a company established under the PRC laws with limited liability and is a direct wholly-owned subsidiary of Shanghai Zhangyu
"Target Companies"	collectively, Nanjing Zhangyu and Shanghai Zhangyu
"Target Group"	Target Companies and its subsidiaries from time to time
"Transaction Documents"	collectively, the Equity Purchase Agreement, the articles of association of the Target Companies (if required by the Purchaser) and other agreements or documents relating to the Acquisition
"Vendors"	Xuzhou Jinkan and Mr. Bai Yuanliao
"Wuxi Sihai"	Wuxi Sihai Technology Co., Ltd* (無錫思海科技有限公司), a company established in the PRC with limited liability and is a direct non-wholly-owned subsidiary of Nanjing Zhangyu. As at the date of this announcement, Wuxi Sihai is owned as to 90% by Nanjing Zhangyu and 10% by Mr. Xie Qin, who is an Independent Third Party
"Xuzhou Jinkan"	Xuzhou Jinkan Management Consulting Partnership (Limited Partnership)* (徐州錦瞰管理諮詢合夥企業(有限合夥)), a limited partnership established under the laws of the PRC

"Zhejiang Zhongguang"	Zhejiang Zhongguang New Energy Technology Co., Ltd.* (浙江中光新能源科技有限公司), a company established under the PRC laws with limited liability and an indirect non-wholly owned subsidiary of Nanjing Zhangyu. As at the date of this announcement, Zhejiang Zhongguang is owned as to 51% by Longkong Zhongguang, approximately 28.86% by Fuju Zhongguang, approximately 16.28% by Hangzhou Jingneng, approximately 3.86% by Shanghai Longyuan
"Zhongguang Qinghai"	Zhongguang (Qinghai) New Energy Technology Co., Ltd.* (中光(青海)新能源技術有限公司), a company established under the PRC laws with limited liability and an indirect non-wholly owned subsidiary of Nanjing Zhangyu. As at the date of this announcement, Zhongguang Qinghai is wholly owned by Zhejiang Zhongguang

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

Singapore, 20 May 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 Ziyan, Dr. Li Jun and Mr. Pu Hong.

* *For identification purpose only.*