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HL Technology Group Limited
泓淋科技集團有限公司*
(Incorporated in Cayman Islands with limited liability)
(Stock Code: 1087)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
ACQUISITION OF 87% OF EQUITY INTEREST IN
THE TARGET COMPANY AND
CAPITAL INJECTION**

THE ACQUISITION AND CAPITAL INJECTION AGREEMENT

The Directors are pleased to announce that on 4 May 2011 (after the close of trading hours of the Stock Exchange), Weihai Electronic, a wholly-owned subsidiary of the Company (as Purchaser) entered into the Acquisition and Capital Injection Agreement with the Vendors pursuant to which the Vendors agreed to sell and the Purchaser agreed to acquire an aggregate total of 87% equity interest in the Target Company for a total consideration of RMB13.3 million (equivalent to approximately HK\$15.8 million) which will be settled entirely by cash funded by internal resources of the Group. Upon the completion of the Acquisition, the Minority Shareholders and Weihai Electronic also agreed to make Capital Injection of RMB63.2 million (equivalent to approximately HK\$75.2 million) in aggregate to the Target Company in proportion to their respective shareholding in the Target Company immediately after the completion of the Acquisition. Upon the completion of the Capital Injection, the Target Company would continue to be held as to 87% by Weihai Electronic and 13% in aggregate by the Minority Shareholders.

The Target Company is principally engaged in the design, research and development, manufacture and sale of communication wire & cable and related products catering to the telecommunication industry in the PRC. To the best knowledge, information and belief of the Directors after making all reasonable enquiries, each of the Vendors is a third party independent of the Company and its connected persons, and is not a party acting in concert with any substantial shareholder of the Company.

LISTING RULES IMPLICATIONS

The Acquisition and the Capital Injection constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules with the relevant applicable percentage ratios (as defined in the Listing Rules) more than 5% but less than 25%, which is subject to reporting and announcement requirements under the Listing Rules.

THE ACQUISITION AND CAPITAL INJECTION AGREEMENT

Date

4 May 2011 (entered into after the close of trading hours of the Stock Exchange)

Parties

Purchaser: Weihai Electronic, a wholly-owned subsidiary of the Company

Vendors: (1) Tian Hong Zheng;
(2) Zhou Shao Hua;
(3) Yuan Huo You;
(4) Wang Jia Zhan; and
(5) Wu Yue Long

Target Company: Huizhou Daya Bay Heping Telecommunication

To the best knowledge, information and belief of the Directors after making all reasonable enquiries, each of the Vendors is a third party independent of the Company and its connected persons, and is not a party acting in concert with any substantial shareholder of the Company.

Assets to be acquired

Pursuant to the Acquisition and Capital Injection Agreement, the Vendors agreed to sell and the Purchaser agreed to acquire an aggregate total of 87% equity interest in the Target Company as at the date of this announcement. Prior to the Acquisition, the Target Company was owned as to 34.35% by Tian Hong Zheng, 30.68% by Zhou Shao Hua, 24.46% by Yuan Huo You, 6.19% by Wang Jia Zhan and 4.32% by Wu Yue Long. Upon the completion of the Acquisition, the Target Company would be held as to 87% by Weihai Electronic, 8% by Yuan Huo You and 5% by Zhou Shao Hua. Detailed information of the Target Company is disclosed in the section of “Information about the Parties” to this announcement.

Consideration for the Acquisition

The Consideration payable by the Purchaser to the Vendors for the Acquisition amounts to RMB13.3 million (equivalent to approximately HK\$15.8 million), and will be paid in cash funded by internal resources of the Company.

The Consideration of RMB13.3 million (equivalent to approximately HK\$15.8 million) was determined after arm's length negotiation between the Company and the Vendors and after taking into consideration (i) that the Acquisition will enable the Group to gain immediate access to the customer base of the Target Company with an aim of capturing strategic customers for the Group in the PRC communication wire & cable market which has a high barrier of entry; (ii) the net asset value position, business outlook and future prospect of the Target Company; (iii) the prospects of the communication wire & cable market in the PRC telecommunication industry; and (iv) the synergies between the business and operations of the Target Company with those of the Group.

In view of the above, the Board considers that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Capital Injection

Under the terms of the Acquisition and Capital Injection Agreement, upon completion of the Acquisition, Weihai Electronic and the Minority Shareholders agreed to make the Capital Injection of approximately RMB63.2 million (equivalent to approximately HK\$75.2 million) to the Target Company by the way of increasing the registered capital of the Target Company. The Capital Injection would be made by Weihai Electronic and the Minority Shareholders in proportion to their respective shareholdings in the Target Company immediately after the completion of the Acquisition. Weihai Electronic and the Minority Shareholders will contribute approximately RMB55.0 million (equivalent to approximately HK\$65.5 million) and RMB8.2 million (equivalent to approximately HK\$9.7 million), respectively to the capital of the Target Company. Upon completion of the Capital Injection, the registered capital of the Target Company will increase from RMB36.8 million (equivalent to approximately HK\$43.8 million) to RMB100.0 million (equivalent to approximately HK\$119.0million) and the Target Company would continue to be held as to 87% by Weihai Electronic and 13% in aggregate by the Minority Shareholders.

The amount of the Capital Injection is primarily determined based on the expected capital funds requirement of the Target Company to finance its working capital, operating and capital expenditures. The Capital Injection is expected to be completed by 31 May 2011.

The Capital Injection shall be satisfied by the internal resources of the Company.

Board Composition

The board composition of the Target Company upon the completion of the Acquisition will consist of five directors, where the Minority Shareholders can each appoint a director to the board respectively, and Weihai Electronic can appoint three directors to the board, including the chairman of the board.

Undertakings

Pursuant to the terms of the Acquisition and Capital Injection Agreement, each of the parties agreed to do or procure all such acts as necessary to obtain all authorizations and approvals to be granted by the relevant government authorities in the PRC in relation to the Acquisition and the Capital Injection.

Upon the Acquisition and Capital Injection Agreement becoming effective:

- a) The Minority Shareholders have undertaken to the Group that (i) they will not dispose, transfer or decrease, in part or in full, any of their shareholdings in the Target Company to any third parties (other than Weihai Electronic) within two years upon the completion of the Acquisition and the Capital Injection;
- b) Certain specific representations and warranties including the collectability of receivables and smooth retention of key existing customer accounts of the Target Company, by the Vendors remaining true and accurate in all material respects and there having been no material breach of such representations and warranties. If certain representations and warranties cannot be met by any of the parties hereunder, the party in breach shall pay relevant compensation to the other parties; and
- c) The Target Company would negotiate on the acquisition of the remaining 35% equity interest of Dongguan Heping Wanruiou Electronic Co., Ltd (東莞市和平萬瑞歐電子科技有限公司), a 65% non-wholly owned subsidiary of the Target Company.

Right of first refusal:

In addition, the Company will also enjoy through Weihai Electronic a right of first refusal to acquire the remaining interest in the Target Company under the same terms and conditions offered by Yuan Huo You or Zhou Shao Hua to any third party for such interest after two years upon the completion of the Acquisition.

The Target Company shall procure that all necessary registration for the change in shareholding structure be completed by 25 May 2011.

The Vendors also agreed that Weihai Electronic has been granted the actual control of the Target Company since 1 April 2011.

INFORMATION ABOUT THE PARTIES

The Company is principally engaged in provision of one-stop signal transmission and connectivity solutions and related products. The Group designs, develops, manufactures and sells a comprehensive range of products including external and internal signal cable assembly, signal transmission wire & cable, power cord assembly, connectors and wireless antennas.

Weihai Electronic is a wholly-owned subsidiary of the Company incorporated in the PRC, which is principally engaged in the business of manufacturing cable assembly products.

The Target Company is principally engaged in the design, research and development, manufacture and sale of communication wire & cable and related products catering to the telecommunication industry in the PRC and its main customers include leading Chinese telecommunication solutions and equipment providers.

Prior to the Acquisition, the Target Company was owned as to 34.35% by Tian Hong Zheng, 30.68% by Zhou Shao Hua, 24.46% by Yuan Huo You, 6.19% by Wang Jia Zhan and 4.32% by Wu Yue Long. The Target Company currently holds as to 65% in Dongguan Heping Wanruiou Electronic Co., Ltd* (東莞市和平萬瑞歐電子科技有限公司), which is engaged in the provision of design, research and development, manufacture and sale of external signal cable assembly and related products and 16.67% in Huizhou Daya Bay Heping Precision Inject Molding Co. Ltd* (惠州大亞灣和平精密注塑有限公司), which is engaged in the provision of design, research and development, manufacture and sale of plastic related products. The Target Company is currently in the process of disposing its aggregate 16.67% interest in Huizhou Daya Bay Heping Precision Inject Molding Co. Ltd as its business is not in line with the core business of Target Company.

Financial information of the Target Company

Set out below is the financial information of the Target Company for the two years ended 31 December 2010 and the three months ended 31 March 2011, which was prepared in accordance with the generally accepted accounting principles of the PRC as advised by the Vendors:

	For the financial period ended 31 March 2011	For the financial year ended 31 December 2010	For the financial year ended 31 December 2009
	<i>RMB million</i> (audited)	<i>RMB million</i> (audited)	<i>RMB million</i> (unaudited)
Revenue	57.0	164.8	136.8
Net Profit (loss) before taxation	1.3	(5.9)	1.0
Net Profit (loss) after taxation	1.3	(5.9)	1.0
			As at 31 March 2011
			<i>RMB million</i> (audited)
Net asset value			19.9

FINANCIAL EFFECTS OF THE ACQUISITION AND THE CAPITAL INJECTION

Following completion of the Acquisition and Capital Injection Agreement, the Target Company will become a 87% owned subsidiary of the Group and financials of the Target Company will be consolidated in the Group's consolidated financial statements.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE CAPITAL INJECTION

The Acquisition and the Capital Injection by Weihai Electronic would further strengthen the wire & cable business segment, particularly in the provision of communication cable, of the Group. Communication cable products generally possess a higher profit margin as compared to other wire & cable products given the higher technical capabilities requirements involved and also the provision of communication cable products catering to telecommunication industry, is a market with a high barrier of entry as suppliers have to go through a set of lengthy, stringent and rigorous certification process in order to be certified suppliers. The Directors believe that with this Acquisition and Capital Injection, the Group will have immediate access to the valuable customer base of the Target Company, which include leading telecommunication solutions providers and operators in the PRC, and through leveraging on the existing signal transmission and connectivity expertise and manufacturing know-how and capability of the Group, the business scale and profitability of the Target Company will be further increased. In particular, the Directors expect there to be significant synergies between the business of the Target Company with that of the Group and the Group will be actively involved in the management of the Target Company upon completion of the Acquisition.

The terms of the Acquisition and Capital Injection Agreement were arrived at after arm's length negotiations between the parties. The Directors believe that the Capital Injection will provide capital funds to enable the Target Company to finance its capital and operating expenditures to further grow its business.

Based on the aforesaid, the Board is of the opinion that the terms of the Acquisition and Capital Injection Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

GENERAL INFORMATION

The Acquisition and the Capital Injection constitute a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules with the relevant applicable percentage ratios (as defined in the Listing Rules) more than 5% but less than 25%, which is subject to reporting and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of 87% equity interest of the Target Company by the Purchaser pursuant to the Acquisition and Capital Injection Agreement
“Acquisition and Capital Injection Agreement”	the acquisition and capital injection agreement entered into on 4 May 2011 (after the close of trading hours of the Stock Exchange) between the Purchaser, the Vendors and the Target Company in relation to the Acquisition and the Capital Injection

“Board”	the board of Directors
“Capital Injection”	capital injection of an aggregate amount of RMB63.2 million (or approximately HK\$75.2 million) to the registered capital of the Target Company by Weihai Electronic and the Minority Shareholders according to their respective shareholdings in the Target Company upon completion of the Acquisition
“Company”	HL Technology Group Limited, a company incorporated with limited liability on 16 November 2007 under the laws of the Cayman Islands and the Shares of which are listed on the Stock Exchange (stock code: 1087)
“Consideration”	RMB13.3 million (or approximately HK\$15.8 million), being the consideration for the Acquisition
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Minority Shareholders”	Yuan Huo You and Zhou Shao Hua whom would respectively hold as to 8% and 5% of the Target Company upon completion of the Acquisition and the Capital Injection
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Purchaser” or “Weihai Electronic”	Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司) a wholly foreign owned limited liability company incorporated in the PRC on 27 November 1997, which is a wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary”	has the meaning ascribed to it in sections 2 and 2B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Target Company” or “Huizhou Daya Bay Heping Telecommunication”	惠州大亞灣和平通信電纜有限公司 (Huizhou Daya Bay Heping Telecommunication Co. Ltd*), a limited liability company established on 23 August 2004 under the laws of the PRC
“Vendors”	田洪鎮 (Tian Hong Zheng*), 周紹華 (Zhou Shao Hua*), 袁火有 (Yuan Huo You*), 王家沾 (Wang Jia Zhan*) and 武月龍 (Wu Yue Long*)
“Yuan Huo You”	袁火有 (Yuan Huo You*), the existing shareholder of the Target Company, who holds as to 24.46% of the Target Company before the Acquisition and would hold 8% of the Target Company upon completion of the Acquisition and Capital Injection
Zhou Shao Hua	周紹華 (Zhou Shao Hua*), the existing shareholder of the Target Company, who holds as to 30.68% of the Target Company before the Acquisition and would hold 5% of the Target Company upon completion of the Acquisition and Capital Injection
%	Percent

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 =HK\$1.19 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

By Order of the Board
HL Technology Group Limited
Chi Shaolin
Chairman

Hong Kong, 4 May 2011

As at the date of this announcement, the executive Directors are Mr. Chi Shaolin, Mr. Jiang Taike, Mr. Li Jianming, Mr. Mao Wanjun and Mr. Kang Jin Won, the non-executive Director is Ms. Xu Yiming, and the independent non-executive Directors are Mr. Shu Wa Tung, Laurence, Mr. Song Lizhong and Ms. Zheng Lin.

* for identification purpose only