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## **HL Technology Group Limited**

**泓淋科技集團有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1087)**

# **ANNOUNCEMENT OF CONNECTED TRANSACTION — ESTABLISHMENT OF A JOINT VENTURE**

## **CONNECTED TRANSACTION**

The Board is pleased to announce that on 27 April 2012, the Board has approved the establishment of the JV Company by Weihai Electronic, a wholly-owned subsidiary of the Company, and the JV Partners pursuant to the terms of the JV Articles. According to the JV Articles, the JV Company is to be owned by Weihai Electronic as to 60%, JV Partner 1 as to 30% and JV Partner 2 as to 10%. Weihai Electronic shall contribute an aggregate of RMB6.0 million (equivalent to HK\$7.2 million) to the capital of the JV Company, representing 60% of the equity capital in the JV Company.

The business scope of the JV Company will be the manufacture and sale of plastic materials and products used for cable jacketing, focusing on the production of halogen-free insulating plastic materials.

## **LISTING RULES IMPLICATIONS**

As JV Partner 1 is an associate of a controlling shareholder and a director of the Company, JV Partner 1 is a connected person of the Company as defined under the Listing Rules. Hence, the establishment of the JV Company pursuant to the terms of the JV Articles constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profit ratio) are less than 5%, the establishment of the JV Company is exempt from the independent shareholders' approval requirements and is only subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. Mr. Chi is abstained from voting on the Board resolution approving the establishment of the JV Company and the JV Articles as a result of his relationship with JV Partner 1.

The board of directors (“the Board”) is pleased to announce that on 27 April 2012, the Board has approved the establishment of the JV Company by Weihai Electronic, a wholly-owned subsidiary of the Company, and the JV Partners pursuant to the terms of the JV Articles. The principal terms of the JV Articles are set out below:

## **PRINCIPAL TERMS OF THE JV ARTICLES**

### **Parties**

- (1) Weihai Electronic; and
- (2) JV Partners

### **Scope of business of the JV Company**

The business scope of the JV Company will be the manufacture and sale of plastic materials and products used for cable jacketing, focusing on the production of halogen-free insulating plastic materials.

### **Registered capital of the JV Company**

The JV Company is to be established in the PRC with limited liability. It will have a registered capital of RMB10.0 million (equivalent to HK\$12.0 million), which is determined with reference to the business nature of the JV Company. Upon establishment, Weihai Electronic, a wholly-owned subsidiary of the Company, JV Partner 1 and JV Partner 2 will respectively hold 60%, 30% and 10% of the equity capital of the JV Company. The JV Company is yet to be established and no financial information of the JV Company is available for the time being.

### **Capital investment**

The capital investment by Weihai Electronic in the JV Company under the JV Articles will be RMB6.0 million (equivalent to HK\$7.2 million) which shall be paid in one lump sum before the establishment of the JV Company. It is expected that the above capital investment by Weihai Electronic would be funded by internal resources of the Group. JV Partner 1 and JV Partner 2 will respectively contribute RMB3.0 million (equivalent to HK\$3.6 million) and RMB1.0 million (equivalent to HK\$1.2 million) in the capital of the JV Company, which shall also be paid before the establishment of the JV Company.

The board of directors of the JV Company shall consist of five directors to be elected by the shareholders of the JV Company. All resolutions of the board of directors of the JV Company shall be passed by a majority of all directors of the JV Company.

### **Profit sharing**

The profit and loss of the JV Company shall be shared between Weihai Electronic and the JV Partners in proportion to their respective capital contribution in the JV Company.

## **REASONS FOR AND BENEFITS OF THE ESTABLISHMENT OF JV COMPANY**

Halogen-free insulation plastic materials are increasingly applied in the global 3Cs (Consumer electronics, Computing and Communications) markets due to their environmental friendly features as they emit little smoke and no toxic gas when exposed to flames and they are also bio-degradable. As part of its vertically integrated production process, the Group also manufactures and uses its internally produced plastic materials for the outer casing of its cable products. The JV Company is expected to strengthen the Group's expertise in the production of halogen-free insulating materials, which is a type of plastic materials that is increasingly being used to replace the conventional PVC plastic materials in the manufacture of cable related products, by leveraging on the expertise and experience of its JV Partners in the production and sale of plastic materials and cable products.

JV Partner 1 has over 10 years of industry experience, including being the general manager of Weihai Darong Compound Material Co., Ltd., which mainly engaged in manufacturing and selling compound plastic materials, from April 2009 to January 2012, where he was responsible for general planning and production management. JV Partner 1 also worked as the director of Weihai Honglin Wire & Cable Co., Ltd. from May to August 2007 and the director of Weihai Honglin Plastic Material Co., Ltd. from March 2003 to June 2007.

JV Partner 2 has over 14 years of industry experience, including being the general manager of Weihai Shengruide Electronic Co., Ltd., which mainly engaged in manufacturing and selling connectivity products serving the global 3Cs markets, from April 2001 to January 2012, where he was responsible for the general business planning and marketing management.

The Directors (including the independent non-executive Directors) are of the view that the terms of the JV Articles are normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **POSSIBLE CONNECTED TRANSACTIONS**

Upon the establishment of the JV Company, it will become a non wholly-owned subsidiary of the Company, and as JV Partner 1 is a connected person (see below paragraph headed “listing rules implication”) of the Company and entitled to exercise 30% of the voting power at any general meeting of the JV Company, the JV Company will therefore become a connected person of the Company. As the Group in its normal operations, uses plastic materials including halogen-free insulating materials in the production of its cable products, the Group could potentially source plastic materials from the JV Company upon the establishment of the JV Company.

Under the Listing Rules, for so long as the JV Company remains as a connected person of the Company, transactions entered into between the JV Company and the Group would constitute connected transactions or continuing connected transactions of the Group.

As at the date of this announcement, there is not yet any connected transaction or continuing connected transaction between the Group and the JV Company. The Company will comply with the relevant reporting, announcement and independent shareholders’ approval requirements as and when required under Chapter 14A of the Listing Rules so as to provide the Shareholders sufficient information regarding potential future transactions.

## **LISTING RULES IMPLICATIONS**

As JV Partner 1 is an associate of a controlling shareholder and a director of the Company, he is a connected person of the Company as defined under the Listing Rules. Hence, the establishment of the JV Company pursuant to the terms of the JV Articles constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profit ratio) are less than 5%, the establishment of the JV Company is exempt from the independent shareholders’ approval requirements and is only subject to the reporting and announcement requirements as set out in Chapter 14A of the Listing Rules. Mr. Chi is abstained from voting on the Board resolution approving the establishment of the JV Company and the JV Articles as a result of his relationship with JV Partner 1.

## **GENERAL**

The principal activities of the Group are manufacture and sale of signal transmission and connectivity products in the global 3Cs markets.

## DEFINITIONS

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

- “associate(s)” : has the meaning ascribed thereto under the Listing Rules
- “Company” : HL Technology Group Limited (泓淋科技集團有限公司\*), 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)
- “connected person(s)” : has the meaning ascribed thereto under the Listing Rules
- “Controlling Shareholders” : Chenlin International Joint Stock Company Limited and its ultimate controlling party is Mr. Chi Shaolin (“Mr. Chi”).
- “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
- “Independent Third Party” : an individual or a company who or which is independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates

“JV Articles”	:	the articles of the JV Company to be signed by Weihai Electronic and the JV Partners in relation to the establishment of the JV Company
“JV Company”	:	威海市東晨塑膠新材料有限公司 (unofficial English translation as Weihai Dongchen Plastics New Materials Limited.), a limited company to be established in the PRC pursuant to the terms of the JV Articles
“JV Partners”	:	JV Partner 1 and JV Partner 2
“JV Partner 1”	:	遲忠民 (“Chi Zhongmin”) , the brother of Mr. Chi, the controlling shareholder, and an executive director of the Company
“JV Partner 2”	:	張鳳吉 (“Mr. Zhang Fengji”), an Independent Third Party
“Listing Rules”	:	the Rules Governing the Listing of Securities on The Stock Exchange
“PRC”	:	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	:	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	:	the shareholder(s) of the Company.

- “Stock Exchange” : The Stock Exchange of Hong Kong Limited
- “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 with limited liability, which is a wholly-owned subsidiary of the Company
- “%” : per cent.

*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.20. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

By order of the Board  
**HL Technology Group Limited**  
**Chi Shaolin**  
*Chairman*

Hong Kong, 27 April 2012

*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