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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)**

### **MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF ROSY SUN INVESTMENTS LIMITED AND RESUMPTION OF TRADING**

**Financial adviser to the Company**



**八方金融有限公司**

**Octal Capital Limited**

#### **THE S&P AGREEMENT**

On 28 October 2012, the Company entered into the S&P Agreement with the Vendor for the sale and purchase of the entire issued share capital of the Target Company.

Pursuant to the S&P Agreement, the Vendor has conditionally agreed to sell and the Company has conditionally agreed to purchase the Sale Share and the Shareholder's Loan (if any) at a consideration of HK\$650 million. The Consideration shall be satisfied by the Company issuing to the Vendor (or such other person as the Vendor may nominate in writing) the Promissory Note. The Consideration was determined after arm's length negotiations between the Vendor and the Company after taking into account a number of factors including the business nature, the business prospects, net assets value of the Target Company, the HK Company and the PRC Company as at 30 June 2012, performance of the PRC Company, the Profit Guarantee and the preliminary estimation of the fair value of the PRC Company of approximately HK\$700 million pursuant to the business valuation carried out by the Independent Valuer under the market approach using the forward price to earnings multiples and forecast earnings of the PRC Company for the year ending 31 December 2012.

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules. Besides, as the Vendor is the controlling Shareholder, the chairman of the Company, and an executive Director who is interested in approximately 40.87% interests of the Company, the Vendor is considered as a connected person (as defined in the Listing Rules) to the Company, and the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules. The Vendor and his associates are regarded as having material interest in the Acquisition and therefore they are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Acquisition and the transaction contemplated under the S&P Agreement.

### **GENERAL**

A circular containing, among other things, (i) further information on the Acquisition; (ii) the recommendation of the IBC to the Independent Shareholders; (iii) the advice from an independent financial adviser to the IBC and the Independent Shareholders; (iv) the accountants' report of the Target Group to be prepared by independent accountants; (v) the valuation report of the PRC Company to be prepared by the Independent Valuer; and (vi) a notice of the EGM is expected to be despatched to the Shareholders on or before 20 November 2012.

### **RESUMPTION OF TRADING**

At the request of the Company, trading in Shares on the Stock Exchange has been suspended from 9:00 a.m. on 29 October 2012 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:00 a.m. on 31 October 2012.

### **THE S&P AGREEMENT**

Date: 28 October 2012

Parties

Vendor: Mr. Chi, the controlling Shareholder, the chairman of the Company and an executive Director, who is interested in approximately 40.87% interests of the Company.

Purchaser: the Company

### **Assets to be acquired**

Pursuant to the S&P Agreement, the Company has conditionally agreed to purchase (i) the Sale Share, representing the entire issued share capital of the Target Company, free from all encumbrances and together with all existing and future rights and benefits attaching with or

accruing to the Sale Share, on or after the Completion Date; and (ii) the Shareholder's Loan (if any), subject to the satisfaction (or waiver, where applicable) of the conditions precedent as set out in the paragraph headed "Conditions" below.

### **Consideration**

The Consideration is HK\$650 million which shall be satisfied at Completion by the Company issuing to the Vendor (or such other person as the Vendor may nominate in writing) the Promissory Note, details of which are set out in the paragraph headed "Promissory Note" below.

The Consideration was determined after arm's length negotiations between the Vendor and the Company after taking into account a number of factors including the business nature, the business prospects, net assets value of the Target Company, the HK Company and the PRC Company as at 30 June 2012, performance of the PRC Company, the Profit Guarantee and the preliminary estimation of the fair value of the PRC Company of approximately HK\$700 million pursuant to the business valuation carried out by the Independent Valuer under the market approach using the forward price to earnings multiples and forecast earnings of the PRC Company for the year ending 31 December 2012. The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be issued by the Company after considering the advice from the independent financial adviser) consider that the terms of the Acquisition are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

### **Conditions**

Completion is conditional upon fulfillment or waiver in writing (as the case may be) of the following conditions:

- (1) the Company being satisfied in its absolute discretion with the results of the due diligence review in respect of, among other things, the Vendor, the Target Group and its business, legal status and financial position upon completion of the due diligence review conducted by the Company and its advisors;
- (2) the Company having obtained all necessary or appropriate approvals, authorisations, consents and licences as a company listed on the Main Board of the Stock Exchange, including but not limited to the approval of the Shareholders of the S&P Agreement and the transactions contemplated thereunder at general meeting;
- (3) having obtained all other necessary or appropriate approvals, authorisations, consents and licences which may be required by the Vendor, any member of the Target Group or under any existing contractual arrangements of the Vendor or any member of the Target Group for the consummation of the transactions contemplated under the S&P Agreement;
- (4) having obtained all necessary approvals, authorisations, consents and licences which may be required by the Vendor or any member of the Target Group from any governmental or regulatory authorities for the consummation of the transactions

contemplated under the S&P Agreement, and having satisfied all statutory requirements to which the Vendor or any members of the Target Group may be required to comply with for the consummation of the transactions contemplated under the S&P Agreement;

- (5) having obtained a PRC legal opinion issued by PRC lawyers nominated by the Company confirming, among other things, the legal status of the Target Group, the substances of which shall be satisfactory to the Company in its absolute discretion;
- (6) having obtained a business valuation report issued by independent professional valuers nominated by the Company confirming, among other things, the value of the PRC Company shall be no less than HK\$700 million, the substances of which shall be satisfactory to the Company in its absolute discretion; and
- (7) all representations and warranties given by the Vendor under the S&P Agreement remaining true and accurate in all respects and not misleading as if the representations and warranties are repeated by the Vendor at all times from the date of the S&P Agreement to the Completion Date.

The Company may in writing waive any of the conditions as stated above in such terms as the Company considers appropriate (other than condition (2) above which may not be waived). If any of the conditions set out above is not fulfilled or, as the case may be, waived by the Company before the Long Stop Date, then the obligations of the parties to the S&P Agreement shall cease and determine and neither party shall have any claim under the S&P Agreement against the other save in respect of any rights already accrued.

### **Completion**

Completion shall take place on the fifth Business Day after fulfillment or, as the case may be, waiver of the abovementioned conditions (or such later date as may be agreed between the parties to the S&P Agreement in writing).

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and all the profit and loss and assets and liabilities of the Target Company will be consolidated to the accounts of the Company.

### **Profit Guarantee**

The Vendor of the PRC Company guarantees to the Company that, subject to the terms of the S&P Agreement, the Net Profit for the financial year ending 31 December 2013 shall be not less than RMB85 million (the "Guarantee Profit").

In the event that the actual Net Profit is less than the Guarantee Profit (the "Shortfall") for the financial year ending 31 December 2013, the Vendor shall pay to the Company the sum representing the Shortfall.

## **Additional Undertakings**

Pursuant to the S&P Agreement, the Vendor has undertaken to the Company that:

- (i) it will indemnify the Company, the Target Group or their respective beneficial owners, shareholders, directors, senior management employees, agents and advisors (the “indemnified persons”) against any penalties, administrative penalties, claims, payments, damages or any sums and penalties requested by governmental bodies, regulatory authorities and any third parties after the Completion Date which may be incurred by the indemnified persons resulting from any non-compliance or partial non-compliance of any requirement under laws and regulations by the Target Group in relation to their operation and assets (including but not limited to property interest, intellectual properties, operating concession, environmental protection, safety production, insurance and employment of labour) prior to the Completion Date; and
- (ii) within 5 years from the date of the S&P Agreement, except by way of holding the Shares or being the management of the Company (if applicable) the Vendor and his associates shall not, directly or indirectly, (i) engage in the Businesses, or invest in any person/entity engaged in the Businesses (regardless of via shareholding or by contract); (ii) solicit or engage any employees of the Target Group, or to employ any employees of the Target Group in any manner for himself, his associates or any third party; or (iii) provide any consultation, assistance or subsidy for the Businesses.

## **THE PROMISSORY NOTE**

Set out below are the principal terms of the Promissory Note:

- Issuer : The Company
- Principal amount : HK\$650 million
- Maturity date : The date falling 5 years from the date of initial issue of the Promissory Note
- Interest : The Promissory Note shall not bear any interest
- Prepayment : The Promissory Note may be prepaid in whole or in part at any time without premium or penalty prior to its maturity by the Company giving the noteholder not less than 3 business days’ prior written notice specifying the amount to be so prepaid.
- Transferability : The Promissory Note is not transferable or assignable.

## **INFORMATION OF THE GROUP**

The Group is mainly engaged in the manufacture and sales of signal cable assembly, power cord assembly, signal transmission wire and cable products, connectors, antennas, automotive wiring harness and other products.

## INFORMATION ON THE TARGET GROUP

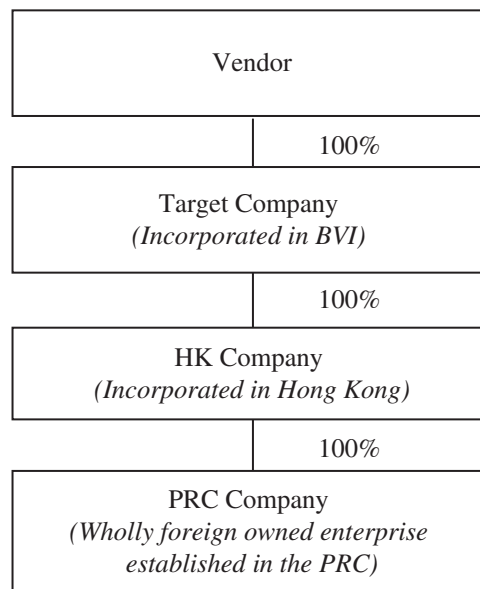
The Target Company is an investment holding company incorporated in the BVI on 8 February 2012. The Sale Share represents the entire issued share capital of Target Company. The major asset of the Target Company is the entire issued share capital of the HK Company.

The HK Company is also an investment holding company and was incorporated in Hong Kong on 14 October 2010. The HK Company has an issued share capital of one share of HK\$1. The major asset of the HK Company is the entire registered capital of the PRC Company.

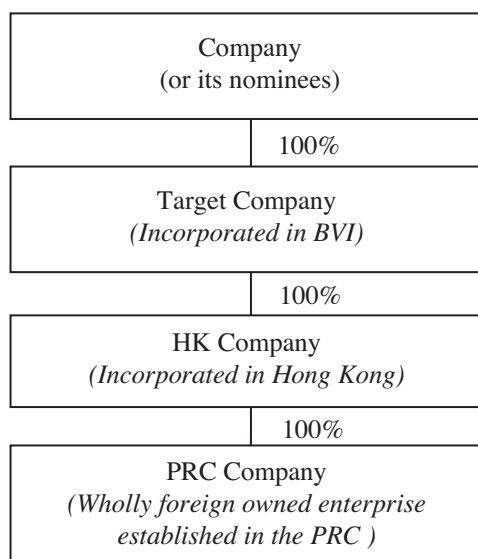
The PRC Company is a wholly foreign owned enterprise established in Shenyang, Liaoning Province, the PRC on 14 February 2001. The total registered capital of the PRC Company is RMB233 million.

Set out below is the shareholding structure of the Target Group.

### As at the date of this announcement



## Upon Completion



The PRC Company has been principally engaged in (i) the research and development, manufacturing and sale of cell phones under its own brand name, which can run on 2G and/or 3G networks such as GSM, IS-95, CDMA2000 and TD-SCDMA in the PRC; (ii) the sale of network equipments (which are produced on an OEM subcontracting basis) to the top three telecommunication services providers in the PRC under its own brand name, such as core network equipments, IPRAN and xPON; and (iii) the provision of services to major telecommunication services providers in the PRC, such as the installation, maintenance and upgrade of the network equipments and/or wireless network optimization in their existing network systems.

Currently, the PRC Company has a research and development centre in Shenyang, the PRC for the research and development of telecommunication technologies and relevant products and it plans to establish two other centres in Xi'an and Guangzhou, the PRC. The PRC Company in-house designs and develops its cell phones, manufactures or subcontracts their manufacturing processes to third party manufacturers on an OEM basis and sells its cell phones under its own brand name through the top three telecommunication services providers and the distribution networks of some channel distributors in the PRC. The PRC Company also cooperates with these telecommunication network operators and services providers in the PRC to specifically develop and supply various cell phones to cope with the need of their business developments.

During the past years, the PRC Company has become one of the major services providers in the PRC telecommunication industry. The PRC Company has supplied the installation, maintenance and upgrade services and/or wireless network optimization services in its existing TD-SCDMA wireless access network systems to some major telecommunication services providers in some provinces in the PRC such as Shanghai, Henan, Shanxi, Jiangsu, Inner Mongolia, Jilin, Anhui, Jiangxi, Zhejiang, Sichuan, Gansu, Hebei and Shandong. The PRC Company also plans to supply the installation, maintenance and upgrade services and/or wireless network optimization services in the in-building TDD-LTE wireless access network systems to certain major telecommunication services providers in the PRC in the future.



During the first half of 2012, the PRC Company has explored its new business, supply of mobile IP bearer network facilities (such as IPRAN) and optical access products (such as xPON) to major telecommunication network operators in the PRC. Currently, IPRAN equipments and facilities of the PRC Company have already been installed and in use in various provinces in the PRC such as Zhejiang, Jiangsu, Fujian, Liaoning, Hebei, Henan and Heilongjiang whilst the xPON equipments and facilities of the PRC Company have already been installed and in use in various provinces in the PRC such as Guangdong and Jiangsu. Meanwhile, the PRC Company is developing 4G compatible telecommunication products to cope with the advancement in telecommunication technology with focus on TDD-LTE.

The Vendor acquired the entire equity interest in the Target Company on 13 June 2012 at the consideration of HK\$650 million and sold the Target Company at the same consideration of HK\$650 million to the Company pursuant to the S&P Agreement.

### **Financial information of the Target Group**

#### *The Target Company*

The Target Company was incorporated on 8 February 2012. Set out below is the summary of its key audited financial figures for the period from the incorporation date of 8 February 2012 to 30 June 2012.

	<b>For the period from 8 February 2012 to 30 June 2012 (HK\$'000)</b>
Revenue	—
Net Profit/(Loss) (before taxation and extraordinary items)	—
Net Profit/(Loss) (after taxation and extraordinary items)	—
Total Assets	322,876
Net Assets/(Liabilities)	322,876



### *The HK Company*

The HK Company was incorporated on 14 October 2010. Set out below is the summary of its key audited financial figures for the period from the incorporation date of 14 October 2010 to 31 December 2010, the year ended 31 December 2011 and the six months ended 30 June 2012.

	<b>For the period from 14 October 2010 to 31 December 2010 (HK\$)</b>	<b>For the year ended 31 December 2011 (HK\$'000)</b>	<b>For the six months ended 30 June 2012 (HK\$'000)</b>
Revenue	—	—	—
Net Profit/(Loss) (before taxation and extraordinary items)	—	23	(972)
Net Profit/(Loss) (after taxation and extraordinary items)	—	23	(972)
Total Assets	1	340,464	333,618
Net Assets/(Liabilities)	1	23	(949)

### *The PRC Company*

The PRC Company was incorporated on 14 February 2001. Set out below is the summary of its key unaudited financial figures prepared under the Hong Kong Financial Reporting Standards for each of the two years ended 31 December 2011 and the six months ended 30 June 2012.

	<b>For the year ended 31 December 2010</b>		<b>For the year ended 31 December 2011</b>		<b>For the six months ended 30 June 2012</b>	
	<i>(RMB'000)</i>	<i>(HK\$'000)</i>	<i>(RMB'000)</i>	<i>(HK\$'000)</i>	<i>(RMB'000)</i>	<i>(HK\$'000)</i>
Revenue	167,680	206,230	315,498	388,031	254,270	312,727
Net Profit/(Loss) (before taxation and extraordinary items)	(22,250)	(27,365)	47,415	58,316	35,731	43,946
Net Profit/(Loss) (after taxation and extraordinary items)	(19,230)	(23,651)	39,654	48,770	30,277	37,238
Total Assets	587,125	722,105	613,185	754,156	843,961	1,037,988
Net Assets	206,691	254,209	246,345	302,980	276,622	340,217

*Note: The conversion of RMB into HK\$ in above table is based on the exchange rate of RMB1 to HK\$1.2299 as published by the People's Bank of China on 26 October 2012 for illustration purpose only.*

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

The Group is mainly engaged in the manufacture and sales of signal cable assembly, power cord assembly, signal transmission wire and cable products, connectors, antennas, automotive wiring harness and other products. Some of the Group's products are specially designed for high-speed data transmission and can be used in connecting telecommunication and broadband networks.

As set out in the interim report of the Company for the six months ended 30 June 2012, consumer demand of the Group's products decreased during the first half of 2012 due to the downturn in global electronic markets. Profit of the Group during the first half of 2012 decreased partially due to (i) the aggressive pricing strategy adopted in the depressed market; (ii) the increase in labour cost and outsourcing cost; and (iii) investment in research and development, sales and administration made to gain a better position in an ever-competitive market. It is also the Company's strategy to make necessary investments in high-value areas for better equipping the Group and maintaining the Group at the technological forefront. The Company may also develop the area of communication, such as research and development and manufacture of wireless communication system devices and wireless terminal devices, and the service for wireless network planning and upgrading, etc., which has more room for profitability under appropriate circumstances.

The Target Group has been principally engaged in (i) the research and development, manufacturing and sale of cell phones under its own brand name; (ii) the sale of network equipments to the top three telecommunication services providers in the PRC under its own brand name, such as core network equipments, IPRAN and xPON; and (iii) the provision of services to major telecommunication services providers in the PRC, such as the installation, maintenance and upgrade of the network equipments and/or wireless network optimization in their existing network systems which requires certain products of the Group such as cables, assemblies and connectors.

Over the past few years, the PRC has experienced significant growth in the telecommunication industry, including mobile telecommunication, application of 3G technology and broadband. However, the broadband penetration rate in the PRC is low as compared with many developed countries. According to the Twelfth Five Year Plan of the PRC, the PRC government plans to speed up the development in information technology industry, including mobile communication technology, broadband and wireless network. The Twelfth Five Year Plan of the PRC also set out the milestone of advancement in the PRC information technology from 2015 to 2020 such as the upgrade in information network for broadband (fixed-line or mobile) and transition to 4G telecommunication technology (i.e. FDD-LTE and TDD-LTE).

In respect of the broadband development in the PRC, it is planned that the bandwidth in both urban and rural area in the PRC will be increased whilst the coverage will also be extended so as to cope with the need of the broadened application of Internet of Things and Cloud Computing in the PRC. It is expected that the information technology industry of the PRC will grow by at least 20% each year during the period from 2015 to 2020. As such, it is expected that the demand of relevant network equipments, such as PON and LAN will increase accordingly.

3G is the most advanced mobile telecommunication technologies commonly used in the PRC and WCDMA can be upgraded to FDD-LTE without the need to substantially alter the existing systems. However, 4G is still at trial stage in the PRC and tests on TDD-LTE are being conducted in some cities in the PRC. As further substantial construction and upgrade are required, the 4G licences are expected to be issued by the PRC government after two to three years.

In light of (i) the continuous growth in the PRC telecommunication and broadband market; (ii) the advanced technology developed by the PRC Company; (iii) the strong customer base and network, comprising the top three telecommunication services providers, of the PRC Company; and (iv) the promising growth in the business and financial performance of the PRC Company, the Directors considers the Acquisition as a business opportunity which could provide synergy to the Group's existing business while diversifying the Group's business to a prospective and fast growing industry where the Group has certain relevant knowledge and experiences.

Therefore, the Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be issued by the Company after considering the advice from the independent financial adviser) consider that the Acquisition is beneficial to the Group and that the terms of the S&P Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules. Besides, as the Vendor is a controlling Shareholder, the chairman of the Company, and an executive Director who is interested in approximately 40.87% interests of the Company, the Vendor is considered as a connected person (as defined in the Listing Rules) to the Company, and the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the Independent Shareholders' approval requirements under the Listing Rules. The Vendor and his associates (including Chenlin International Joint Stock Company Limited and Splendor Sun Group Limited) who, in aggregate, are interested in 355,229,222 Shares as at the date of this announcement, are regarded as having material interest in the Acquisition and therefore they are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Acquisition and the transactions contemplated under the S&P Agreement.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The IBC has been established to advise the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the S&P Agreement. None of the members of the IBC has any material interest in the Acquisition and the transactions contemplated under the S&P Agreement.

The Company will appoint an independent financial adviser to advise the IBC and the Independent Shareholders in respect of the Acquisition and the transactions contemplated under the S&P Agreement.

## GENERAL

The Company will convene an EGM for the Independent Shareholders to consider and, if thought fit, approve by way of poll, the Acquisition and the transactions contemplated under the S&P Agreement. The Vendor and his associates will abstain from voting on the resolution approving the Acquisition and the transactions contemplated under the S&P Agreement.

A circular containing, among other things, (i) further information on the Acquisition; (ii) the recommendation of the IBC to the Independent Shareholders; (iii) the advice from an independent financial adviser to the IBC and the Independent Shareholders; (iv) the accountants' report of the Target Group to be prepared by independent accountants; (v) the valuation report of the PRC Company to be prepared by the Independent Valuer; and (vi) a notice of the EGM is expected to be despatched to the Shareholders on or before 20 November 2012.

**As Completion is subject to fulfilment of certain conditions precedent and may or may not proceed, Shareholders and potential investors should exercise caution when dealing in the securities of the Company.**

## RESUMPTION OF TRADING

At the request of the Company, trading in Shares on the Stock Exchange has been suspended from 9:00 a.m. on 29 October 2012 pending the release of this announcement. Application has been made to the Stock Exchange for the resumption of trading in Shares with effect from 9:00 a.m. on 31 October 2012.

## DEFINITIONS

Unless the context otherwise requires, the following terms shall have the meanings set out below:

“Acquisition”	the acquisition by the Company and the disposal by the Vendor of the Sale Share, being the entire issued share capital of the Target Company, pursuant to the S&P Agreement
“associate(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business(es)”	the business(es) of the PRC Company as permitted under the relevant law
“Business Day”	any day (other than Saturdays, Sundays and public holidays) on which commercial banks in Hong Kong are open to the public for general banking business in general
“BVI”	British Virgin Islands

“CDMA”	Code Division Multiple Access, one of the standards for 2G mobile communications. It is a spread spectrum technology standard that assigns a pseudo-noise (PN) code to all voice and data bits, sends a scrambled transmission of the encoded voice over the air and reassembles the voice in its original format. By assigning a unique correlating code to each transmitter, several simultaneous conversations can share the same frequency allocations
“CDMA2000”	a family of 3G mobile technology standards, which use CDMA channel access, to send voice, data, and signaling data between mobile phones and cell sites
“Cloud Computing”	a concept underlining the fusion of traditional computing technologies with network technologies. The core idea is to centralise the management and modulation of massive computing resources connected through the network, forming a pool of computing resources that serve users on an as-needed basis. Cloud Computing is applied in commercial offerings such as SaaS (Software as a Service), PaaS (Platform as a Service) and IaaS (Infrastructure as a Service)
“Company”	HL Technology Group Limited, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the transactions contemplated under the S&P Agreement in accordance with its terms
“Completion Date”	the date on which Completion occurs
“Consideration”	the consideration for the acquisition of the Sale Share and the Shareholder’s Loan (if any), being the sum of HK\$650 million
“controlling shareholder(s)”	shall have the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EDGE”	Enhanced Data rates for GSM Evolution, a digital mobile phone technology that allows improved data transmission rates as a backward-compatible extension of GSM
“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve, among other things, the Acquisition and the transactions contemplated under the S&P Agreement

“FDD-LTE”	Frequency Division Duplexing LTE, a 4G mobile-telecommunications technology and standard
“Group”	the Company and its subsidiaries
“GSM”	a global system for cellular mobile communications originated in Europe
“HK Company”	New Postcom Technology Company Limited, a company incorporated in the Hong Kong and a wholly-owned subsidiary of the Target Company
“HK\$”	Hong Kong dollars, the lawful currency in Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IBC”	the independent committee of the Board comprising Mr. Shu Wa Tung, Laurence, Mr. Song Lizhong and Ms. Zheng Lin, being all the independent non-executive Directors, appointed by the Board for the purpose of advising the Independent Shareholders in relation to the Acquisition and the transactions contemplated under the S&P Agreement
“Independent Shareholder(s)”	Shareholder(s) that is not required to abstain from voting at a general meeting, if necessary, to approve a connected transaction
“Independent Valuer”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited
“Internet of Things”	a network interconnecting certain things in the physical world, characterised by comprehensive sensors, reliable transmission and smart processing and aiming at connection among any objects at any time, any location
“IP”	Internet Protocol
“IPRAN”	IP-based radio access network
“IS-95”	Interim Standard 95, a 2G mobile telecommunications standard that uses CDMA, a multiple access scheme for digital radio, to send voice, data and signaling data (such as a dialed telephone number) between mobile telephones and cell sites
“LAN”	Local Area Network
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange

“Long Stop Date”	31 March 2013, or such later date as the Vendor and the Company may agree in writing
“LTE”	Long Term Evolution, the long-term evolution of 3G technology with Orthogonal frequency-division multiplexing (OFDM) as the core technology, and is regarded as 4G in the making. LTE is being promoted by 3GPP and its major performance targets include maximum speeds of 100Mbps (download) and 50Mbps (upload) using 20MHz bandwidth. There are two types of LTE, distinguished by the mode of division duplex, namely FDD-LTE and TDD-LTE
“Net Profit”	the consolidated net profit after tax of the PRC Company as to be shown in its audited consolidated accounts to be prepared according to the Hong Kong Financial Reporting Standards
“PON”	Passive Optical Network, a point-to-multipoint, fiber to the premises network architecture in which unpowered optical splitters are used to enable a single optical fiber to serve multiple premises
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Company”	Shenyang New Postcom Co., Ltd. (沈陽新郵通信設備有限公司), a wholly foreign owned enterprise established in the PRC and wholly-owned by the HK Company
“Profit Guarantee”	the guarantee given by the Vendor to the Company that, subject to the terms of the S&P Agreement, the Net Profit for the financial year ending 31 December 2013 shall be not less than RMB85 million, details of which are set out in the paragraph headed “Profit Guarantee” in this announcement
“Promissory Note”	the promissory note in a principal amount of HK\$650 million to be issued by the Company to the Vendor (or such other person as the Vendor may nominate in writing) on Completion to satisfy the Consideration
“RMB”	Renminbi, the lawful currency in the PRC
“Sale Share”	one share of US\$1.00 in the share capital of the Target Company, representing the entire issued share capital in the Target Company as of the date of the S&P Agreement and the Completion Date



“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shareholder’s Loan”	the loan or debt (if any) owing by the Target Company or any company within the Target Group to the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&P Agreement”	the sale and purchase agreement in relation to the Acquisition dated 28 October 2012 entered into between the Vendor and the Company
“Target Company”	Rosy Sun Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by the Vendor as of the date of this announcement and before Completion
“Target Group”	the Target Company, the HK Company and the PRC Company as of the date of this announcement and the Completion Date
“TDD-LTE”	Time Division Duplex LTE, a 4G mobile-telecommunications technology and standard
“TD-SCDMA”	Time Division Synchronous Code Division Multiple Access, a 3G technology developed in the PRC to support voice and data transmission
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Mr. Chi Shaolin, the controlling Shareholder, the chairman of the Company and an executive Director
“WCDMA”	Wideband Code Division Multiple Access is an air interface standard found in 3G mobile telecommunications networks
“xPON”	x version of PON, an optical access that applies wavelength-division multiplexing technology with optical fiber as transmission medium, enabling high access bandwidth and end-to-end passive optical splitting transmission. xPON has a significant edge over other optical access technology

“2G”	Second-generation mobile networks utilizing digital wireless technology to provide larger network capacity, improved voice quality and encryption and seamless international roaming for users. Existing mobile communications networks are mainly 2G GSM and CDMA utilizing GSM and GPRS for CDMA technology with a data supply capacity of up to 115.2 Kbps, or 384 Kbps in case of GSM featuring EDGE technology
“3G”	Third-generation mobile networks supporting peak data rates of 144 Kbps at mobile user speeds, 384 Kbps at pedestrian user speeds and 2 Mbps in fixed locations, although some initial deployments were configured to support just 64 Kbps
“4G”	International Mobile Telecommunications Advanced standards as defined by International Telecommunication Union (ITU), including LTE-Advanced and Wireless MANAdvanced (802.16m) standards, supporting theoretical download rates of 1Gbit/s in fixed locations and 100Mbit/s in motion
“%”	per cent.

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

Hong Kong, 30 October 2012

*As at the date of this announcement, the executive Directors are Mr. Chi Shaolin, Mr. Jiang Taike and Mr. Li Jianming, 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*