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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)**

### **VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION**

**Financial adviser to the Company**

 **金融有限公司**  
**OCTAL Capital Limited**

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

On 9 June 2013, the Company (as vendor) entered into the S&P Agreement with the Purchaser and Mr. Chi Shaolin (as guarantor for the Purchaser) for the sale and purchase of the entire issued share capital of Sumptuous Wealth.

Pursuant to the S&P Agreement, the Company has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase the Sale Share from the Company at the Consideration of HK\$779 million, subject to adjustments equivalent to the Value Difference and the Revaluation Surplus, provided that the final Consideration shall not exceed HK\$780 million and shall not be less than HK\$580 million. The Consideration shall be satisfied by the Purchaser by way of procuring Mr. Chi Shaolin (as holder of the Promissory Note) setting off an amount equivalent to the Consideration outstanding under the Promissory Note upon Completion. The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser. Parties to the S&P Agreement further agreed that: (i) where the outstanding amount (including the principal and accrued interest (if any)) under the Promissory Note as at the date of Completion is lower than the final Consideration, the Purchaser shall pay to the Company in cash an amount equivalent to such difference upon Completion, and (ii) where the outstanding amount under the Promissory Note as at the date of Completion is higher than the final Consideration, the Company shall by way of prepayment pay to Mr. Chi Shaolin (the guarantor for the Purchaser and as holder of the Promissory Note) in cash an amount equivalent to such difference upon Completion.

\* For identification purposes only

## **IMPLICATIONS UNDER THE LISTING RULES**

As certain applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal and the transactions contemplated under the S&P Agreement is expected to be more than 75%, the Disposal and the transactions contemplated under the S&P Agreement constitutes a very substantial disposal of the Company under Rule 14.06 of the Listing Rules. Besides, as Mr. Chi Shaolin is the controlling Shareholder, the chairman of the Company and an executive Director who is interested in approximately 40.87% interests of the Company, each of Mr. Chi Shaolin and the Purchaser (being wholly-owned by Mr. Chi Shaolin) is a connected person of the Company, and, thus the Disposal and the transactions contemplated under the S&P Agreement 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.

Mr. Chi Shaolin and his associates are regarded as having material interest in the Disposal and the transactions contemplated under the S&P Agreement and therefore they are required to abstain from voting on the resolution to be proposed at the EGM for approving the Disposal and the transactions contemplated under the S&P Agreement.

## **GENERAL**

A circular containing, among other things, (i) further information on the Disposal and the transactions contemplated under the S&P Agreement; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM, is expected to be despatched to the Shareholders on or before 28 June 2013.

## **THE S&P AGREEMENT**

Date: 9 June 2013

### **Parties**

Vendor: the Company

Purchaser: Jia Ya Developments Limited, a company incorporated in BVI with limited liability. Jia Ya Developments Limited is an investment holding company and does not have any substantive business operation as at the date of this announcement. It is wholly-owned by Mr. Chi Shaolin, the controlling Shareholder, the chairman of the Company and an executive Director, who is interested in approximately 40.87% interests of the Company as at the date of this announcement and thus is a connected person to the Company

Guarantor for the Purchaser: Mr. Chi Shaolin, the controlling Shareholder, the chairman of the Company and an executive Director

Mr. Chi Shaolin has provided to the Company a guarantee for the due and punctual performance of the Purchaser's obligations under the S&P Agreement subject to and upon the terms and conditions of the S&P Agreement.

### **Assets to be disposed of**

Sale Share: One ordinary share of US\$1 of Sumptuous Wealth, being the entire issued share capital of Sumptuous Wealth, free from encumbrances and together with all rights now or thereafter attached thereto.

As at the date of this announcement, Sumptuous Wealth is a wholly-owned subsidiary of the Company. Its major asset is the entire issued share capital of Greatest Group, and it wholly owns Abundant Wit (which in turn wholly owns Hongxin International). It is expected that upon completion of the Reorganisation; (i) Hongxin International will wholly own Dezhou Electronic which will in turn wholly own Chongqing Technology; (ii) Greatest Group will hold the entire paid-up capital of Weihai Hongbo which in turn will hold the entire paid-up capital of Changshu Electronic; and (iii) Changshu Electronic will continue to hold the existing 80% interests in Shenzhen Communication and wholly own Chenhong International, Honglin Technology, Changshu Cable, Huizhou Technology and Changshu Connecting-Technology.

### **The consideration for the Sale Share**

The Consideration of HK\$779 million, subject to adjustments equivalent to the Value Difference and the Revaluation Surplus, provided that the final Consideration shall not exceed HK\$780 million and shall not be less than HK\$580 million. The Consideration shall be satisfied by the Purchaser by way of procuring Mr. Chi Shaolin (as holder of the Promissory Note) setting off an amount equivalent to the Consideration outstanding under the Promissory Note upon Completion. The Consideration was arrived at after arm's length negotiations between the Company and the Purchaser with reference to the unaudited and unreviewed combined net asset value of the Operating Companies as at 31 December 2012 plus the aggregate of net asset value of the Investments Holding Companies as at the date of the S&P Agreement.

Parties to the S&P Agreement further agreed that: (i) where the outstanding amount (including the principal and accrued interest (if any)) under the Promissory Note as at the date of Completion is lower than the final Consideration, the Purchaser shall pay to the Company in cash an amount equivalent to such difference upon Completion, and (ii) where the outstanding amount under the Promissory Note as at the date of Completion is higher than the final Consideration, the Company shall by way of prepayment pay to Mr. Chi Shaolin (the guarantor for the Purchaser and as holder of the Promissory Note) in cash an amount equivalent to such difference upon Completion. The Promissory Note was issued by the Company to Mr. Chi Shaolin on 31 January 2013, and as at the date of this announcement, HK\$650 million was outstanding under the Promissory Note.

The Review Accounts of Sumptuous Wealth for the six months ending 30 June 2013 and the valuation of the self-used properties of the Disposal Group as at 30 June 2013 to be appraised by valuer will be prepared before Completion for finalising the Consideration and the Company will make further announcement in this regard as and when appropriate.

### **Conditions Precedent**

Completion of the S&P Agreement shall be conditional upon, inter alia:

1. 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, for the S&P Agreement and the transactions contemplated thereunder;
2. having completed the Reorganisation pursuant to all applicable rules and regulations (including but not limited to the Companies Ordinance and the PRC Company Laws) and having obtained all necessary or appropriate approvals, authorisations, consents and licences from and completed the necessary filings to the relevant government authorities in relation to the Reorganisation;
3. having obtained the Review Accounts and having obtained a valuation report of self-used properties of the Disposal Group as at 30 June 2013 appraised by a valuer; and
4. having obtained all other necessary or appropriate approvals, authorisations, consents and licences for the S&P Agreement and the transactions contemplated thereunder.

If any of the conditions set out above is not fulfilled on or before 31 December 2013 (or such later date as the Company and the Purchaser may agree in writing), then S&P Agreement will lapse while each party's rights and obligations already accrued under the S&P Agreement will not be affected.

### **Undertaking**

Pursuant to the S&P Agreement, the Company undertakes to the Purchaser that, among other things, save with prior consultation with and having obtained prior consent from the Purchaser or for the purpose of the transactions contemplated under the S&P Agreement (including for the purpose of the Reorganisation), the assets and liabilities of each of Sumptuous Wealth, Abundant Wit and Greatest Group will not be materially changed since the date of the S&P Agreement and up to Completion.

### **Completion**

Completion shall take place on the fifth business day following the date on which the above conditions precedent have been fulfilled (or such later date as the Company and the Purchaser may agree in writing).

Upon Completion, Sumptuous Wealth will cease to be a subsidiary of the Company, and the Group will not consolidate the financial statements of each of companies within the Disposal Group thereafter.

## **THE SPLIT-OFF AND THE REORGANISATION**

### **The Split-off**

Weihai Electronic has been one of the principal operating subsidiaries of the Group with a registered capital of US\$59,483,264.75 before the Split-off. Weihai Electronic has obtained the approval of Bureau of Commerce of Weihai Economic Technology Development District (威海經濟技術開發區商務局) concerning the Split-off on 27 May 2013. Pursuant to the Split-off:

- (i) Weihai Electronic continues to be in existence as a company with limited liability, with a registered capital of US\$14,483,264.75. Weihai Electronic, subsequent to the Split-off, continues to hold equity interests in certain members of the Remaining Group (which were held by Weihai Electronic prior to the Split-off);
- (ii) Weihai Mingbo was established on 29 May 2013 with a registered capital of US\$10,000,000. Weihai Mingbo will mainly hold land and properties previously held by Weihai Electronic prior to the Split-off; and
- (iii) Weihai Hongbo was established on 29 May 2013 with a registered capital of US\$35,000,000. Weihai Hongbo will mainly hold the interests in certain Operating Companies which were previously held by Weihai Electronic prior to the Split-off.

Currently, each of Weihai Electronic, Weihai Mingbo and Weihai Hongbo is a wholly-owned subsidiary of the Group. Upon completion of the Reorganisation as detailed on page 11, Weihai Hongbo will become a wholly-owned subsidiary of Greatest Group and part of the Disposal Group, while Weihai Electronic and Weihai Mingbo shall remain part of the Remaining Group.

### **The Reorganisation**

As at the date of this announcement, Sumptuous Wealth is wholly-owned by the Company. Sumptuous Wealth wholly owns Greatest Group and Abundant Wit (which wholly owns Hongxin International).

Upon completion of the Reorganisation, Greatest Group will wholly own Weihai Hongbo which in turn together with Hongxin International will wholly own other Operating Companies (except that 20% interest of Shenzhen Communication will still be held by its existing minority shareholder, who save for being a substantial shareholder holding such 20% equity interests in Shenzhen Communication is independent to and not connected with the Company).

## INFORMATION ON THE DISPOSAL GROUP

### Business segments of the Disposal Group

Businesses of the Operating Companies can be categorized mainly into (i) external signal cable assembly; (ii) internal signal cable assembly; (iii) connectors; (iv) antennas; and (v) communication and consumer electronics cable.

#### *External signal cable assembly*

Products of this business segment include signal connecting cables mainly used externally in notebooks, computers, monitors, TVs, mobile handsets and digital cameras, and can transmit digital, analog and audio-frequency signals with such functional advantages as high transmission rate and highly effective in anti-electromagnetic interference. Revenue of the external signal cable assembly segment amounted to approximately RMB337.8 million and RMB333.8 million for the year ended 31 December 2011 and 31 December 2012 respectively, representing approximately 18.1% and 17.3% of the total revenue of the Group during the respective year. Operating Company engaged in this business segment includes Dezhou Electronic.

#### *Internal signal cable assembly*

Products of this business segment include signal connecting cables mainly used internally between the main board and LCD monitor in notebooks, mobile handsets and digital cameras and can transmit video and audio-frequency signals with such functional advantages as high transmission rate and good shielding effect. Internal signal cable assembly products of the Group primarily include two types, namely, LVDS cable assembly for use in notebooks and flexible flat cable (FFC) assembly for use in LCD and LED TV. Revenue of the internal signal cable assembly segment amounted to approximately RMB339.9 million and RMB384.5 million for the year ended 31 December 2011 and 31 December 2012 respectively, representing approximately 18.2% and 19.9% of the total revenue of the Group during the respective year. Operating Companies engaged in this business segment include Dezhou Electronic, Changshu Electronic and Chongqing Technology.

#### *Connectors*

Products of this business segment include connectors mainly for monitors, TVs, computers, and various consumer products. Revenue of the connectors segment amounted to approximately RMB49.9 million and RMB27.7 million for the year ended 31 December 2011 and 31 December 2012 respectively, representing approximately 2.7% and 1.4% of the total revenue of the Group during the respective year. Operating Company engaged in this business segment includes Changshu Connecting-Technology.

#### *Antennas*

Products of this business segment include antennas used in computer notebooks, GPS systems, wireless-fixed phones and etc.. Revenue of the antennas segment amounted to approximately RMB28.5 million and RMB71.9 million for the year ended 31 December

2011 and 31 December 2012 respectively, representing approximately 1.5% and 3.7% of the total revenue of the Group during the respective year. Operating Companies engaged in this business segment include Changshu Electronic and Shenzhen Communication.

#### *Communication and consumer electronics cable*

Products of this business segment include wire and cable which are generally the work-in-progress and are either sold to the customers for their further production or used by the Group internally for the production of finished wire and cable products used in consumer electronics. Revenue of communication and consumer electronics cable segment amounted to approximately RMB398.4 million and RMB304.5 million for the year ended 31 December 2011 and 31 December 2012 respectively, representing approximately 21.4% and 15.8% of the total revenue of the Group during the respective year. Operating Companies engaged in this business segment include Changshu Cable and Huizhou Technology.

### **Corporate structure of the Disposal Group**

The Disposal Group consists of three companies mainly for the purpose of investments holding, namely Sumptuous Wealth, Abundant Wit and Greatest Group (collectively “Investments Holding Companies”), and 11 companies mainly for the purpose of business operations, namely Changshu Electronic, Chenhong International, Honglin Technology, Dezhou Electronic, Chongqing Technology, Changshu Cable, Huizhou Technology, Changshu Connecting-Technology, Hongxin International, Weihai Hongbo and Shenzhen Communication (collectively “Operating Companies”). Description on each company of the Disposal Group is as follows:

#### *Investments Holding Companies*

Sumptuous Wealth is an investment holding company incorporated in the BVI on 2 January 2013 with limited liability. The issued share capital of Sumptuous Wealth is US\$1. As at the date of this announcement, Sumptuous Wealth is wholly-owned by the Company and does not have any substantive business operation and its major asset is the 100% issued share capital of Greatest Group and of Abundant Wit, respectively. Since the incorporation of Sumptuous Wealth on 2 January 2013 and up to 31 May 2013, Sumptuous Wealth did not record any profit or loss. The unaudited and unreviewed net asset value of Sumptuous Wealth was approximately RMB6.18 as at 31 May 2013.

Abundant Wit is an investment holding company incorporated in the BVI on 16 November 2012 with limited liability. The issued share capital of Abundant Wit is US\$1 (which was paid by the Company on 23 March 2013). As at the date of this announcement, Abundant Wit is wholly-owned by Sumptuous Wealth and does not have any substantive business operation and its major asset is the 100% issued share capital of Hongxin International. Since the incorporation of Abundant Wit on 16 November 2012 and up to 31 May 2013, Abundant Wit did not record any profit or loss. The unaudited and unreviewed net asset value of Abundant Wit were RMB0 and approximately RMB6.18 as at 31 December 2012 and 31 May 2013 respectively.

Greatest Group is an investment holding company incorporated in Hong Kong on 1 February 2013 with limited liability. The issued share capital of Greatest Group is HK\$1. As at the date of this announcement, Greatest Group is wholly-owned by Sumptuous Wealth and it

does not have any investment or substantive business operation. The unaudited and unreviewed net loss of Greatest Group for the period from its incorporation on 1 February 2013 up to 31 May 2013 was approximately RMB211.72 and its unaudited and unreviewed net deficiency in assets was approximately RMB209.47 as at 31 May 2013.

### **The Operating Companies**

Weihai Electronic was established in Weihai, Shangdong Province, the PRC on 27 November 1997 with limited liability and is wholly-owned by the Company. Before the Split-off, the principal business of Weihai Electronic was manufacturing and sales of power cord assembly, signal transmission wire and cable products and investment holding. The Split-off was completed on 29 May 2013 and subsequent to which, among others, Weihai Hongbo has become a wholly-owned subsidiary of the Company and the registered capital of which is US\$35 million.

Changshu Electronic was established in Changshu, Jiangsu Province, the PRC on 10 June 2002 with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement. The registered capital of Changshu Electronic is US\$14 million as at the date of this announcement and Changshu Electronic is principally engaged in the manufacturing and sales of internal signal cable assembly and antennas. It is expected that upon completion of the Reorganisation, Changshu Electronic will continue to hold its existing 80% equity interests in Shenzhen Communication. Changshu Electronic will also become the sole shareholder of Chenhong International (which will in turn own Honglin Technology) and together with Chenhong International will be interested in the entire paid-up registered capital of four Operating Companies, namely Huizhou Technology, Changshu Connecting-Technology, Honglin Technology and Changshu Cable.

Chenhong International was incorporated in Hong Kong on 10 March 2011 with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement. The issued share capital of Chenhong International is HK\$10,000 as at the date of this announcement. Chenhong International is principally engaged in the obtaining of overseas loan and other financing for the Group. It is expected that upon completion of the Reorganisation, Chenhong International will become, among others, the sole shareholder of Honglin Technology.

Honglin Technology was established in Taiwan on 21 July 2010 with limited liability and is directly wholly-owned by the Company as at the date of this announcement. The total capital of Honglin Technology is NT\$70 million as at the date of this announcement. Honglin Technology is principally engaged in the marketing of internal and external signal cable assembly and antennas, and the research and development of antennas.

Huizhou Technology was established in Huizhou, Guangdong Province, the PRC on 23 August 2004 with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement. The registered capital of Huizhou Technology is RMB80 million. Huizhou Technology is principally engaged in the manufacturing and sales of communication wire and cable and related products.

Chongqing Technology was established in Chongqing, the PRC on 27 August 2010 with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement. The registered capital of Chongqing Technology is RMB24 million as at the date of this announcement. Chongqing Technology is principally engaged in the manufacturing and sales of internal signal cable assembly.

Shenzhen Communication was established in Shenzhen, Guangdong Province, the PRC on 5 November 2009 with limited liability and is indirectly owned as to 80% by the Company as at the date of this announcement. The registered capital of Shenzhen Communication is RMB10 million as at the date of this announcement. Shenzhen Communication is principally engaged in the manufacture and sales of router antennas, WIFI antennas and telephone antennas.

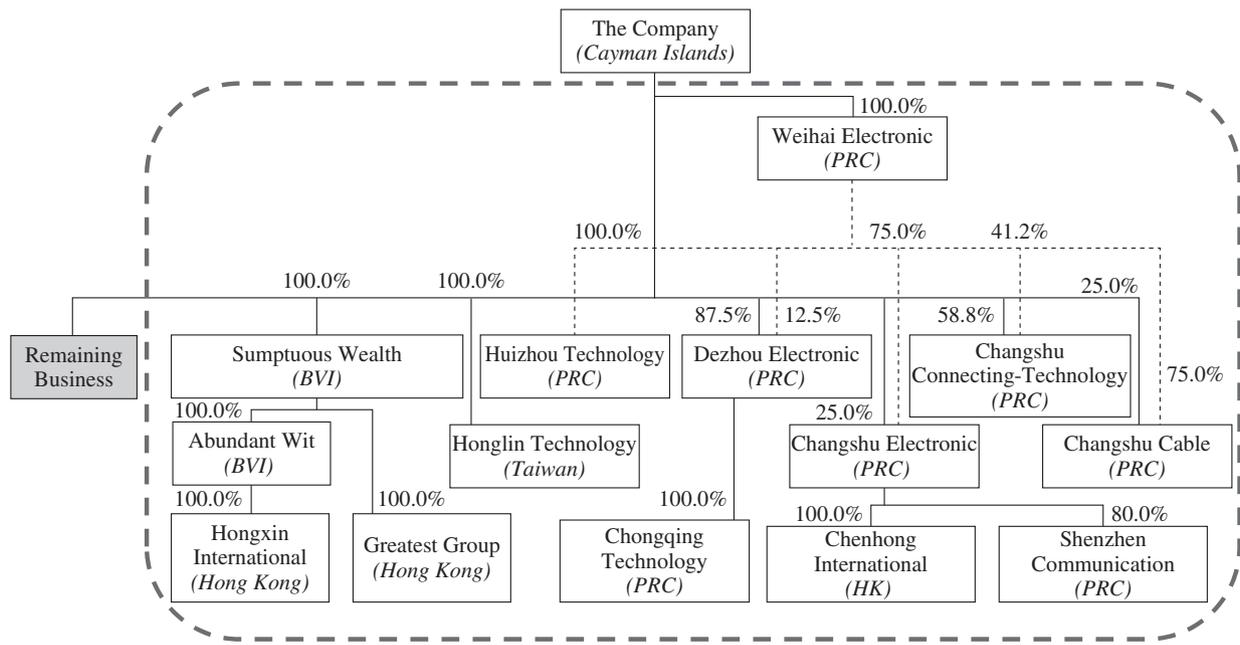
Dezhou Electronic was established in Dezhou, Shandong Province, the PRC on 13 March 2006 with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement. The registered capital of Dezhou Electronic is US\$18 million as at the date of this announcement. Dezhou Electronic is principally engaged in the manufacturing and sales of internal signal cable assembly and external signal cable assembly.

Changshu Connecting-Technology was established in Changshu, Jiangsu Province, the PRC on 1 March 2004 with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement. The registered capital of Changshu Connecting-Technology is US\$12.50 million as at the date of this announcement. Changshu Connecting-Technology is principally engaged in the manufacturing and sales of connectors.

Changshu Cable was established in Changshu, Jiangsu Province, the PRC on 25 August 2006 with limited liability and is indirectly wholly-owned by the Company as at the date of this announcement. The registered capital of Changshu Cable is US\$17.4832 million as at the date of this announcement. Changshu Cable is principally engaged in the manufacturing and sales of communication and consumer electronic wire and cable.

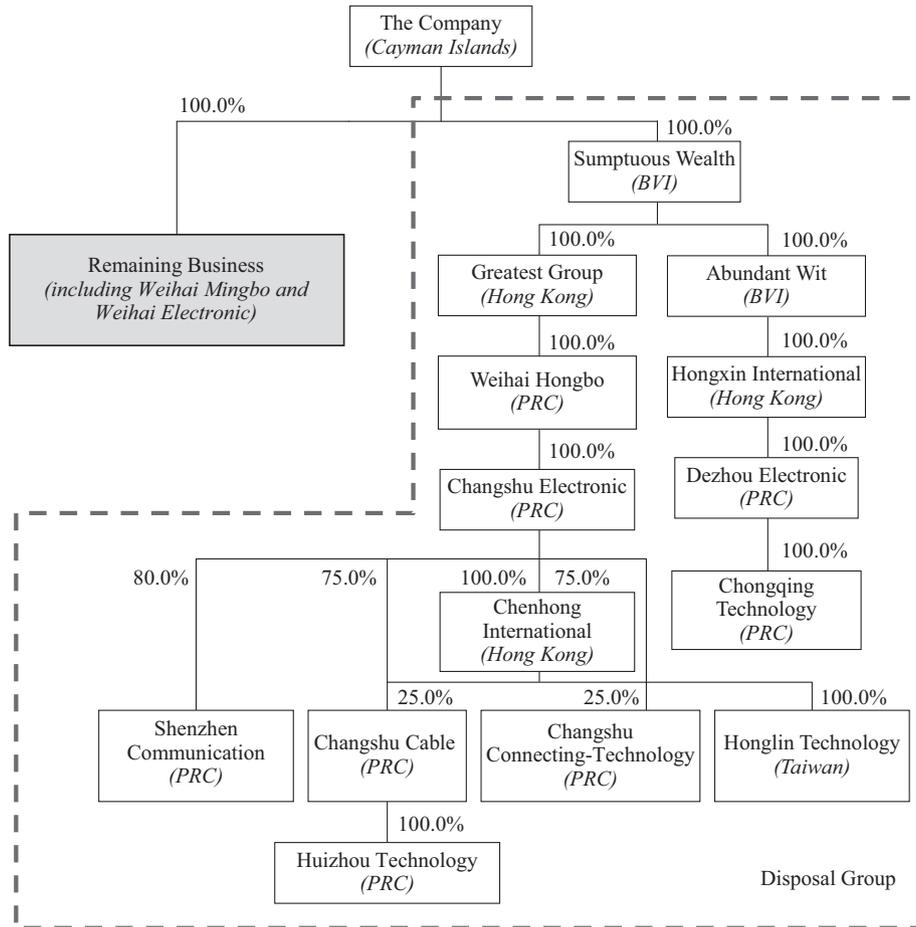
Hongxin International was incorporated in Hong Kong on 22 February 2010 with limited liability. The issued share capital of Hongxin International is HK\$1. As at the date of this announcement, Hongxin International is wholly-owned by Abundant Wit. Hongxin International is principally engaged in the export trading of the products of the Group and will also be engaged in investment holding after completion of the Reorganisation.

Set out below is the shareholding structure of the Investments Holding Companies, the Operating Companies and the Remaining Business as at the date of this announcement:

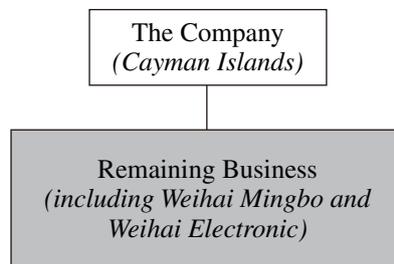


Subsidiaries of the Group to be disposed of pursuant to the Disposal

Pursuant to the S&P Agreement, the Company will undergo the Reorganisation (including the Split-off) before Completion. Set out below is the shareholding structure of the Disposal Group and the Remaining Business upon completion of the Reorganisation:



Set out below is the shareholding structure of the Remaining Group upon Completion:



## Financial information of Operating Companies

Set out below is certain financial information extracted from the combined management accounts of the Operating Companies for each of the two years ended 31 December 2012:

	<b>For the year ended 31 December 2012</b>	<b>For the year ended 31 December 2011</b>
	Unaudited and unreviewed <i>RMB'million</i>	Unaudited and unreviewed <i>RMB'million</i>
Revenue	1,170.5	1,182.6
Profit/(Loss) before taxation	(59.2)	105.5
Net Profit/(Net loss) after taxation	(64.6)	94.8
	<b>As at 31 December 2012</b>	<b>As at 31 December 2011</b>
	Unaudited and unreviewed <i>RMB'million</i>	Unaudited and unreviewed <i>RMB'million</i>
Net asset value attributable to the owner of the Operating Companies	631.4	680.9

During the year ended 31 December 2012, out of the total impairment losses of approximately RMB36.1 million recognised in the audited consolidated income statement of the Group, approximately RMB23.1 million were related to the Operating Companies and the impairment losses were made against property, plant and equipment, goodwill, intangible assets and trade receivables of certain Operating Companies.

During the period from April to May 2013, the Disposal Group has carried out the Distribution pursuant to which the Disposal Group paid dividends in cash in aggregate of approximately RMB86.2 million to the Company.

### REASON FOR AND BENEFITS FROM THE DISPOSAL AND USE OF PROCEEDS

The Group is principally engaged in the 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 and cable, power cord assembly, connectors, antennas, automotive wiring harness and other products. Currently, the businesses of the Group relating to the manufactures and sales of signal cable assembly, connectors, antennas and substantial part of signal transmission wire and cable are mainly conducted by certain members of the Operating Companies.

As mentioned in the annual report of the Company for the year ended 31 December 2012, the continued challenges and uncertainties in the global economies and Computer, Consumer electronics and Communication (3Cs) industries had severely affected the Group's business, especially the relatively more traditional products, such as external signal cable assembly, internal signal cable assembly, antennas and connectors. On the other hand, the trend of

application of wireless technology in similar products has also reduced the competitiveness of the Group's traditional products and adversely affected their profit margins. Therefore, the Company expects that the growth of its traditional products is limited. During the year ended 31 December 2012, the Group recorded a net loss attributable to the owner of the Company of approximately RMB48.3 million and the net loss of the Operating Companies attributable to the owner of the Company of approximately RMB62.9 million which had offset the net profit of the Remaining Business (without taking into account the businesses conducted by Rosy Sun and its subsidiaries, which were acquired by the Company on 31 January 2013). The Company would proactively seek for and capture the right opportunities for business restructuring and industrial upgrading. The Company would exit from part of the relatively more traditional products with year-on-year reduction in profitability through realisations while vigorously developing new products with strong profitability, for instance, the products of Rosy Sun and its subsidiaries.

In view of that the PRC has experienced significant growth in the telecommunication industry, including mobile telecommunication, application of 3G technology and broadband and the Twelfth Five Year Plan of the PRC also set out plan to speed up the development in information technology industry, including mobile communication technology, broadband and wireless network, the Company has acquired Rosy Sun pursuant to a sale and purchase agreement on 28 October 2012. On 31 January 2013, the acquisition of Rosy Sun was completed and Rosy Sun became a wholly-owned subsidiary of the Company. Rosy Sun, together with its subsidiaries, are principally engaged in (i) the research and development, manufacture and sale of cell phones 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 equipment to the top three telecommunication services providers in the PRC such as core network equipment, 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 equipment and/or wireless network optimization in their existing network systems. For the year ended 31 December 2012, the net profit attributable to owners of the operating subsidiary of Rosy Sun, namely Shenyang New Postcom Co. Ltd. was approximately RMB67.3 million which is more than the forecasted RMB66.0 million. It is also guaranteed that the net profit attributable to owners of Shenyang New Postcom Co. Ltd. would increase to approximately RMB85.0 million for the year ending 31 December 2013.

Upon the Completion, the Company will focus on its Remaining Business which includes (i) the manufacture and sales of power cord assembly; (ii) the signal transmission wire and cable products such as automotive cable, power cable, specialty wire and cable; (iii) the automotive wiring harness; and (iv) the business of Shenyang New Postcom Co. Ltd..

For the sales of power cord assembly, the Group has recorded a significant growth in revenue of approximately 41.0% for the year ended 31 December 2012 as compared to that for the year ended 31 December 2011. The power cord assembly products of the Group can be widely used, such as for computer notebook and home electrical appliance and the sales of them are not affected by the introduction of wireless electronic products. In addition, the Company also expects that the increase in awareness of environment protection in the PRC may facilitate sales growth of the Group's halogen-free power cord assembly products in the future.

On the other hand, in light of the historical growth in the PRC automotive market and continuous demand of relevant components, the Company believes that there will be potential growth for the sales of wiring harness for automotive industry. The Company believes that the restructuring of the PRC automotive industry will result in the higher requirement on the quality of relevant automotive components and parts (including wiring harness) which in turn may create business opportunity for the Group's quality automotive wiring harness.

Furthermore, it is planned by the PRC government to facilitate the growth in production of high-end equipment in the PRC such as for the application in railway transportation, renewable energy development and offshore engineering. Therefore, the Company is of the view that the special cable products of the Group that are specially designed and developed for, but not limited to, such applications, will be benefited from the favourable policy in the future.

In light of that (i) the application of the third-generation mobile networks (3G) has become more prevailing in the PRC and the certain cities in the PRC have also started using the Long Term Evolution (LTE) technology based 4G network; and (ii) PRC government's encouragement to popularize the application of broadband and to increase in bandwidth, the Company expects that such advancement of the PRC telecommunication and information network industry would create business opportunity for the relevant products of Shenyang New Postcom Co. Ltd. such as xPON, IP-RAN, core network equipment and terminal products in the future.

Upon the Completion, the Consideration will set off the outstanding amount under the Promissory Note. By doing so, the Group can enrich its internal resources for further developing the Remaining Business and/or financing new investment projects should such opportunity arise in the future. To the best of the Directors' belief based on information currently available, the Directors do not expect any material cash proceeds from the Disposal after setting off the outstanding amount under the Promissory Note, and in case if any, will be used as general working capital.

Therefore, the Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser to be engaged) consider that the Disposal and transactions contemplated under the S&P Agreement represents an opportunity to the Company for realising its loss-making businesses and re-directing its resources to other businesses with growth potential, the terms of the Disposal are fair and reasonable and the Disposal and the transactions contemplated under the S&P Agreement are in the interest of the Company and the Independent Shareholders as a whole.

## **FINANCIAL EFFECTS OF THE DISPOSAL**

Upon the Completion, the Group shall not have any interest in the Disposal Group. Each of the companies within the Disposal Group shall cease to be a subsidiary of the Company since then. Therefore, the profit and loss and assets and liabilities of the Disposal Group will no longer be consolidated to the accounts of the Remaining Group.

Subject to, among other items, the balances of the Valuation Surplus, the Value Difference and the consolidated/combined net asset value of the Disposal Group as at the date of Completion, it is preliminarily expected that the Company will record a gain on the Disposal of approximately RMB1.1 million which is estimated based on, among other items, (i) the preliminary results of valuation of the self-used properties of the Disposal Group as at 30 April 2013; (ii) the assumption that the Value Difference is zero and that the consolidated/combined net asset value of the Disposal Group as at the date of Completion is the same as the aggregate value of the unaudited and unreviewed combined net asset value of the Operating Companies as at 31 December 2012 plus the aggregate value of the unaudited and unreviewed net asset values of the Investments Holding Companies as at 31 May 2013; and (iii) the deduction of the currently estimated professional fees and other expenses of the Remaining Group which are attributable to the Reorganisation and the Disposal.

## **IMPLICATIONS UNDER THE LISTING RULES**

As certain applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal and the transactions contemplated under the S&P Agreement is expected to be more than 75%, the Disposal and the transactions contemplated under the S&P Agreement constitutes a very substantial disposal of the Company under Rule 14.06 of the Listing Rules. Besides, Mr. Chi Shaolin is the controlling Shareholder, the chairman of the Company and an executive Director who is interested in approximately 40.87% interests of the Company, each of Mr. Chi Shaolin and the Purchaser (being wholly-owned by Mr. Chi Shaolin) is a connected person of the Company, and the Disposal and the transactions contemplated under the S&P Agreement 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.

Mr. Chi Shaolin and his associates (including Chenlin International Joint Stock Company Limited and Splendor Sun Group Limited holding an aggregate of 355,229,222 Shares as at the date of this announcement), are regarded as having material interest in the Disposal and the transactions contemplated under the S&P Agreement and therefore they are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Disposal and the transactions contemplated under the S&P Agreement.

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Ms. Zheng Lin, Mr. Pao Ping Wing and Mr. Thomas Tam, has been formed to give recommendation to the Independent Shareholders in respect of the Disposal and the transactions contemplated under the S&P Agreement. An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## **POTENTIAL CONTINUING CONNECTED TRANSACTIONS**

The Disposal Group has historically been involved intragroup transactions with the Remaining Group, and such transactions may or may not be terminated after Completion. Such transactions between the Remaining Group and the Disposal Group, if continued, will constitute the continuing connected transactions of the Company under the Chapter 14A of the Listing Rules. The Company will comply with the relevant Listing Rules and make necessary announcement(s) in this regard as and when necessary.

## GENERAL

A circular containing, among other things, (i) further information on the Disposal and the transactions contemplated under the S&P Agreement; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 28 June 2013.

## DEFINITIONS

“Abundant Wit”	Abundant Wit Limited, a company incorporated in BVI with limited liability and wholly-owned by Sumptuous Wealth as at the date of this announcement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“BVI”	the British Virgin Islands
“Changshu Cable”	Changshu Honglin Wire & Cable Co. Ltd., a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company (directly and indirectly) as at the date of this announcement
“Changshu Connecting-Technology”	Changshu Honglin Connecting-Technology Co., Ltd., a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company (directly and indirectly) as at the date of this announcement
“Changshu Electronic”	Changshu Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company (directly and indirectly) as at the date of this announcement
“Chenhong International”	Chenhong International Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Changshu Electronic (directly and indirectly) as at the date of this announcement
“Chongqing Technology”	Chongqing Honglin Technology Co., Ltd., a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement
“Company”	HL Technology Group Limited, a company incorporated in Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange

“Completion”	completion of the Disposal and the transactions contemplated under the S&P Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration of HK\$779 million payable by the Purchaser to the Company for the Disposal, subject to adjustments equivalent to the Value Difference and Revaluation Surplus, provided that the final Consideration shall not exceed HK\$780 million and shall not be less than HK\$580 million
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Dezhou Electronic”	Dezhou Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company (directly and indirectly) as at the date of this announcement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Share, representing the entire issued share capital of Sumptuous Wealth, by the Company to the Purchaser pursuant to the S&P Agreement
“Disposal Group”	Investments Holding Companies and Operating Companies which will be disposed of by the Company to the Purchaser pursuant to the Disposal
“Distribution”	the declaration and distribution of dividend in cash by the Operating Companies to the Company which was carried out during April to May 2013
“EGM”	an extraordinary general meeting to be convened by the Company to consider and, if thought fit, to approve, among other things, the Disposal and the transactions contemplated under the S&P Agreement
“Greatest Group”	Greatest Group Limited,, a company incorporated in the Hong Kong with limited liability and wholly-owned by Sumptuous Wealth as at the date of this announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hongxin International”	Hongxin International Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Abundant Wit as at the date of this announcement

“Honglin Technology”	Honglin Technology Co., Ltd., a company established in Taiwan with limited liability and is a wholly-owned subsidiary of the Company as at the date of this announcement
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huizhou Technology”	Huizhou Honglin Technology Co., Ltd., a company established in the PRC with limited liability and is an indirectly wholly-owned subsidiary of the Company as at the date of this announcement
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely, Ms. Zheng Lin, Mr. Pao Ping Wing and Mr. Thomas Tam formed to advise the Independent Shareholders on the Disposal and the transactions contemplated under the S&P Agreement
“Independent Shareholders”	Shareholders other than Mr. Chi Shaolin and his associates
“Investments Holding Companies”	Sumptuous Wealth, Abundant Wit and Greatest Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“NT\$”	Taiwan dollars, the lawful currency of Taiwan
“Operating Companies”	Weihai Hongbo, Changshu Electronic, Honglin Technology, Huizhou Technology, Chongqing Technology, Shenzhen Communication, Dezhou Electronic, Changshu Connecting-Technology, Chenhong International, Hongxin International and Changshu Cable
“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC for the purpose of this announcement
“Promissory Note”	the promissory note in a principal amount of HK\$650 million issued by the Company to Mr. Chi Shaolin on 31 January 2013 to satisfy the consideration for the acquisition of Rosy Sun
“Purchaser”	Jia Ya Developments Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Chi Shaolin, the controlling Shareholder, the chairman of the Company and an executive Director, who is interested in approximately 40.87% interests of the Company as at the date of this announcement

“Remaining Business”	the businesses of the Group excluding those conducted by the Disposal Group
“Remaining Group”	companies within the Group other than the Disposal Group
“Reorganisation”	the corporate reorganisation to be conducted for the Disposal, through which the corporate structure of the Disposal Group shall be the same as set out on page 11 of this announcement
“Revaluation Surplus”	the difference (net of tax effect) between the valuation of the self-used properties of the Disposal Group as at 30 June 2013 to be appraised by a valuer and the net book value of such properties recognised in the audited financial statements of the Group as at 31 December 2012
“Review Accounts”	consolidated/combined accounts of Sumptuous Wealth for the six months ending 30 June 2013 (which will take into account the Reorganisation) to be prepared based on International Financial Reporting Standards by the Company and to be reviewed by professional accountants as agreed by the Company and the Purchaser
“RMB”	Renminbi, the lawful currency in the PRC
“Rosy Sun”	Rosy Sun Investments Limited, a company incorporated in the BVI with limited liability and wholly-owned by the Company as at the date of this announcement
“S&P Agreement”	the conditional sale and purchase agreement dated 9 June 2013 entered into among the Company, the Purchaser and Mr. Chi Shaolin in relation to the sale and purchase of the Sale Share
“Sale Share”	one ordinary share of US\$1 of Sumptuous Wealth, representing the entire issued share capital of Sumptuous Wealth
“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shenzhen Communication”	Shenzhen Honglin Communication Technology Co., Ltd., a company established in the PRC with limited liability and whose equity interests is indirectly owned as to 80% by the Company as at the date of this announcement
“Split-off”	the split-off of Weihai Electronic into three companies, namely Weihai Electronic, Weihai Hongbo and Weihai Mingbo, which was completed on 29 May 2013

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sumptuous Wealth”	Sumptuous Wealth Limited, a company incorporated in the BVI with limited liability and wholly-owned by the Company as at the date of this announcement
“US\$”	the United States dollars, the lawful currency of the United States of America
“Value Difference”	the difference between (i) the unaudited and unreviewed combined net asset value of the Operating Companies as at 31 December 2012 plus the aggregate value of the unaudited and unreviewed net asset values of the Investments Holding Companies as at the date of S&P Agreement; and (ii) the reviewed consolidated/combined net asset value of the Disposal Group as at 30 June 2013 pursuant to the Review Accounts
“Weihai Electronic”	Weihaishi Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and is wholly-owned by the Company as at the date of this announcement
“Weihai Hongbo”	Weihaishi Hongbo Wire & Cable Technology Co., Ltd., a company established in the PRC with limited liability on 29 May 2013, and a company split-off from Weihai Electronic pursuant to the Split-off
“Weihai Mingbo”	Weihaishi Mingbo Wire & Cable Technology Co., Ltd., a company established in the PRC with limited liability on 29 May 2013 pursuant to the Split-off
“%”	per cent

*In this announcement, the English names of certain PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

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

Hong Kong, 9 June 2013

*As at the date of this announcement, the executive Directors are Mr. Chi Shaolin (Chairman and Chief Executive Officer), Mr. Jiang Taike, Mr. Li Jianming and Mr. Lu Chengye and the independent non-executive Directors are Ms. Zheng Lin, Mr. Pao Ping Wing and Mr. Thomas Tam.*