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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)

DISCLOSEABLE TRANSACTION DISPOSAL OF WUHAN HONGLIN TECHNOLOGY CO., LTD.

THE DISPOSAL

The Board is pleased to announce that on 10 January 2014 (after trading hours on the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, entered into the Disposal Agreements. Pursuant to the Disposal Agreements, the Vendor agreed to dispose of, in aggregate, the entire equity interest in the Target Company at a total consideration of approximately RMB52.0 million (equivalent to approximately HK\$62.4 million).

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal, together with the transactions contemplated under the Disposal Agreements, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements, but exempt from shareholders' approval requirement, under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 10 January 2014 (after trading hours on the Stock Exchange), the Vendor, a wholly-owned subsidiary of the Company, entered into the Disposal Agreements. Pursuant to the Disposal Agreements, the Vendor agreed to dispose of, in aggregate, the entire equity interest in the Target Company to Wuhan Yaguang Xinmin and Hubei Kangpusi at a total consideration of approximately RMB52.0 million (equivalent to approximately HK\$62.4 million).

* for identification purpose only

Principal terms of the Disposal Agreements are set out below:

THE DISPOSAL AGREEMENTS

(A) Disposal Agreement 1

Date: 10 January 2014 (after trading hours on the Stock Exchange)

Parties:

Vendor: Weihai Electronic

Purchaser: Wuhan Yaguang Xinmin, a company established in the PRC with limited liability

Guarantor to the purchaser: Hubei Kangpusi, a company established in the PRC with limited liability, being the purchaser under the Disposal Agreement 2

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Wuhan Yaguang Xinmin, Hubei Kangpusi and their respective ultimate beneficial owners are Independent Third Parties; Wuhan Yaguang Xinmin is principally engaged in manufacturing and installation of fire proof materials, bathroom partitions, cupboards and laboratory tables while Hubei Kangpusi is principally engaged in developments of projects of medical devices, developments and investments in medical industry and sales of medical devices. Wuhan Yaguang Xinmin and Hubei Kangpusi are independent of each other.

Subject matter of the Disposal Agreement 1

Pursuant to the Disposal Agreement 1, the Vendor agreed to dispose of and Wuhan Yaguang Xinmin agreed to purchase 10% equity interest in the Target Company (together with all ancillary interests and rights, and without lien, pledge and other third party's rights or claim) at Consideration 1 of RMB5,201,729.34 (equivalent to approximately HK\$6.2 million).

Consideration 1 under the Disposal Agreement 1

Consideration 1 was arrived at based on arm's length negotiations between the Vendor and Wuhan Yaguang Xinmin with reference to the unaudited net assets of the Target Company as at 31 December 2013 of approximately RMB49.1 million (equivalent to approximately HK\$58.9 million).

Consideration 1 will be settled by Wuhan Yaguang Xinmin in the following manner pursuant to the Disposal Agreement 1:

- (1) a deposit of RMB100,000 (equivalent to approximately HK\$0.1 million) will be paid to the Vendor in cash within 2 days upon signing of the Disposal Agreement 1, and as payment of part of Consideration 1; and
- (2) as to RMB5,101,729.34 (equivalent to approximately HK\$6.1 million) will be paid to the Vendor in cash on or before 15 January 2014.

(B) Disposal Agreement 2

Date: 10 January 2014 (after trading hours on the Stock Exchange)

Parties:

Vendor: Weihai Electronic

Purchaser: Hubei Kangpusi

Guarantor to the purchaser: Wuhan Yaguang Xinmin, being the purchaser under the Disposal Agreement 1

Subject matter of the Disposal Agreement 2

Pursuant to the Disposal Agreement 2, the Vendor agreed to dispose of and Hubei Kangpusi agreed to purchase 90% equity interest in the Target Company (together with all ancillary interests and rights, and without lien, pledge and other third party's rights or claim) at Consideration 2 of RMB46,815,564.09 (equivalent to approximately HK\$56.2 million).

Consideration 2 under the Disposal Agreement 2

Consideration 2 was arrived at based on arm's length negotiations between the Vendor and Hubei Kangpusi with reference to the unaudited net assets of the Target Company as at 31 December 2013 of approximately RMB49.1 million (equivalent to approximately HK\$58.9 million).

Consideration 2 will be settled by Hubei Kangpusi in the following manner pursuant to the Disposal Agreement 2:

- (1) a deposit of RMB900,000 (equivalent to approximately HK\$1.1 million) will be paid to the Vendor in cash within 2 days upon signing of the Disposal Agreement 2, and as payment of part of Consideration 2; and
- (2) as to RMB45,915,564.09 (equivalent to approximately HK\$55.1 million) will be paid to the Vendor in cash on or before 15 January 2014.

Parties to the Disposal Agreements will proceed with the business registration in respect of the Disposal and the change of legal representative upon settlement of the considerations stipulated under the Disposal Agreements.

Pursuant to each of the Disposal Agreements, the purchasers undertake to the Vendor that they will be jointly liable for the obligations and breaches of each other under the respective Disposal Agreements for a period of 2 years from the date on which all debts payment under the respective Disposal Agreements should be fulfilled.

Transactions contemplated under the Disposal Agreements are not inter-conditional and the Disposal Agreements have become effective upon the execution thereof.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability by the Vendor on 24 February 2011. As at the date of this announcement, the Target Company has a registered capital of RMB49,262,400 (equivalent to approximately HK\$59.1 million), all of the registered capital has been paid up by the date of this announcement.

The Target Company is authorised to engage in, among others, development, manufacture and sale of cable, signal wire and cable, power cord, automotive wiring harness and electronic components according to its business licence. However, it had not commenced any substantive business operation, and had not gained any revenue since its establishment in 2011.

Financial information of the Target Company

Set out below is key financial information of the Target Company for each of the two years ended 31 December 2011 and 2012 and the unaudited financial information of the Target Company for the six months ended 30 June 2013 prepared according to the PRC accounting standards:

| | For the year ended 31 December | | For the six months ended |
|--|-----------------------------------|-----------|--------------------------------|
| | 2011 | 2012 | 30 June |
| | (audited) | (audited) | (unaudited) |
| | (RMB'000) | (RMB'000) | (RMB'000) |
| Net profits (before taxation and extraordinary items) | (60.7) | (14.4) | (30.1) |
| Net profits (after taxation and extraordinary items) | (60.7) | (14.4) | (30.1) |
| Total assets | 19,254.1 | 19,239.6 | 19,231.3 |

Financial effects of the Disposal:

Upon completion of the transactions contemplated under the Disposal Agreements, the Company will not, directly or indirectly, hold any equity interest in the Target Company, who will thereupon cease to be a subsidiary of the Company. Therefore, the profit and loss and assets and liabilities of the Target Company will not be consolidated in the consolidated financial statements of the Group.

The Group expects to realise from the Disposal a net gain (after all taxes and expenses relevant to the Disposal) of approximately RMB2.6 million, representing the difference between the aggregate consideration of the Disposal and the net assets of the Target Company as at the date of this announcement.

REASONS FOR AND BENEFITS OF THE DISPOSAL AND THE USE OF PROCEEDS

The Group is principally engaged in the provision of signal transmission and connectivity solutions and related products. The Group designs, develops, manufactures and sells a comprehensive range of products including signal transmission and connectivity products, networks and terminals products.

The Target Company was established on 24 February 2011 to develop businesses of cable, signal wire and cable, power cord, automotive wiring harness and electronic components in Wuhan. However, due to unfavorable operation environments in the business scope of the Target Company in recent years, the Target Company did not operate as the Company planned, thus the Target Company had not made any revenue since its establishment in 2011, and kept staying in a loss making status as a result of management costs. The Group has relocated all of the original businesses of the Group in Wuhan to Weihai due to the Group's development strategy and to turn around its loss making status. The Disposal will allow the Group to realise its investment in the loss making business and to concentrate its superior resources and cease to provide financial support to the loss making business of the Target Company.

The sales proceeds from the Disposal will be utilised by the Group as general working capital.

In light of the above, the Directors consider that the Disposal Agreements are entered into on normal commercial terms, and that the terms of the Disposal and the transactions contemplated under the Disposal Agreements are fair and reasonable, and in the best interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal is more than 5% but less than 25%, the Disposal, together with the transactions contemplated under the Disposal Agreements, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements, but exempt from shareholders' approval requirement, under Chapter 14 of the Listing Rules.

DEFINITIONS

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

| | |
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| “Board” | board of Directors |
| “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 |

| | |
|--------------------------------|---|
| “Consideration 1” | the consideration for the transfer of 10% equity interest in the Target Company under the Disposal Agreement 1 of RMB5,201,729.34 |
| “Consideration 2” | the consideration for the transfer of 90% equity interest in the Target Company under the Disposal Agreement 2 of RMB46,815,564.09 |
| “Director(s)” | director(s) of the Company |
| “Disposal Agreement 1” | an equity transfer agreement entered into by the Vendor (as vendor), Wuhan Yaguang Xinmin (as purchaser) and Hubei Kangpusi (as guarantor of the purchaser) on 10 January 2014 in relation to the disposal of 10% equity interest in the Target Company |
| “Disposal Agreement 2” | an equity transfer agreement entered into by the Vendor (as vendor), Hubei Kangpusi (as purchaser) and Wuhan Yaguang Xinmin (as guarantor of the purchaser) on 10 January 2014 in relation to the disposal of 90% equity interest in the Target Company |
| “Disposal Agreements” | the Disposal Agreement 1 and the Disposal Agreement 2 |
| “Disposal” | disposal of, in aggregate, the entire equity interest in the Target Company by the Vendor pursuant to the Disposal Agreements |
| “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 |
| “Hubei Kangpusi” | Hubei Kangpusi Medical Technology Co., Ltd.* (湖北康普斯醫療科技有限公司) |
| “Independent Third Party(ies)” | a person(s) or company(ies) which is/are independent of and not connected with any members of the Group, the directors, the chief executives and the substantial shareholders of the Company and its subsidiaries and their respective associates |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “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 |
| “RMB” | Renminbi, the lawful currency of the PRC |

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|------------------------------------|---|
| “Shareholder(s)” | holder(s) of the share(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Target Company” | Wuhan Honglin Technology Co., Ltd.* (武漢市泓淋科技有 限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company before the Disposal |
| “Vendor” or “Weihai Electronic” | Weihai Honglin Electronic Co., Ltd.* (威海市泓淋電子有 限公司), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Company |
| “Wuhan Yaguang Xinmin” | Wuhan Yaguang Xinmin Fire Prevention Decoration Materials Co., Ltd.* (武漢亞光新民防火裝飾材料有限公司) |
| “%” | per cent. |

* for identification purpose only

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.

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 and CEO

Hong Kong, 10 January 2014

As at the date of this announcement, the executive Directors are Mr. Chi Shaolin, Mr. Lu Chengye and Mr. Cheng Wen, and the independent non-executive Directors are Mr. Pao Ping Wing, Mr. Thomas Tam and Ms. Zheng Lin.