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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)**

**(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION  
IN RELATION TO  
DISPOSAL OF HONGLIN INTERNATIONAL  
(2) CONTINUING CONNECTED TRANSACTIONS  
AND  
(3) RESUMPTION OF TRADING IN THE SHARES OF THE COMPANY**

**Financial adviser to the Company**



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

On 28 April 2015 (after the trading hours), the Company (as vendor) entered into the S&P Agreement with the Purchaser and Mr. Chi (as guarantor for the Purchaser) for the sale and purchase of the entire equity interest in Honglin International.

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 initial Consideration of HK\$255 million, and is to be determined based on the reviewed consolidated net asset value of Honglin International attributable to owners of the parent as at 30 April 2015 pursuant to the Review Accounts and to be adjusted by the Adjustment Amount, provided that the final Consideration shall not exceed HK\$260 million and shall not be less than HK\$200 million. The Consideration shall be satisfied by the Purchaser by cash and payable on the date of Completion. The initial Consideration was arrived at after arm's length negotiations between the Company and the Purchaser with reference to the unaudited and unreviewed net asset value of the Disposal Group attributable to owners of the parent as at 31 December 2014 plus the difference between the appraised value of the self-used properties of the Disposal Group and the unaudited net book value of such properties as at 31 December 2014.

\* For identification purposes only

## **THE ENTRUSTMENT LOAN AGREEMENT AND THE TENANCY AGREEMENT**

On 28 April 2015, Weihai Yubo entered into the Entrustment Loan Agreement with Weihai Electronic pursuant to which Weihai Yubo has entrusted the Bank to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and the total amount of the entrustment loan which includes the principal amount and the interest accrued at any time during the term of the Entrustment Loan Agreement shall not be more than RMB102 million. Pursuant to the Entrustment Loan Agreement, Weihai Yubo was required to provide a pledge of land and property to the Bank to guarantee the principal amount of the entrustment loan provided by the Bank to Weihai Electronic. Such asset pledge requirement has been satisfied under the transactions contemplated under the Asset Pledge Agreement which has been in force prior to the entering into of the S&P Agreement.

On the same date, Weihai Yubo entered into the Tenancy Agreement with Weihai Electronic and the transactions contemplated under these agreements will become effective immediately after the Completion.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **The Disposal**

As certain applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal is expected to be more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules. Besides, Mr. Chi is a substantial Shareholder, an executive Director and the chief executive officer of the Company, who is interested in approximately 13.5% interests of the Company as at the date of this announcement, each of Mr. Chi and the Purchaser (being wholly-owned by Mr. Chi) is a connected person of the Company, and the Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Chi and his associates are regarded as having material interest in the Disposal and therefore they are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Disposal.

### **The Continuing Connected Transactions**

Upon Completion, Weihai Electronic will become a connected person of the Group, and the transactions contemplated under the Entrustment Loan Agreement and the corresponding Asset Pledge Agreement shall become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratio in respect of the Entrustment Loan Agreement and the Asset Pledge Agreement is more than 5% and less than 25% and the principal amount of the entrustment loan of RMB95 million guaranteed by the pledge of land and property under the Asset Pledge Agreement for the year ending 31 December 2015 is more than HK\$10,000,000, the transactions contemplated under the Entrustment Loan Agreement and the Asset Pledge Agreement and their proposed annual cap are subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Weihai Electronic will become a connected person upon Completion, the transactions under the Tenancy Agreement will constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the Tenancy Agreement are more than 0.1% and less than 5% and the amount of the rental income to be received by Weihai Yubo pursuant to the Tenancy Agreement for each of the three years ending 31 December 2017 is less than HK\$10,000,000, the transactions contemplated under the Tenancy Agreement and the proposed annual caps are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As at the date of this announcement, there are certain continuing connected transactions between the Disposal Group and Mr. Chi and his associates in effect under Chapter 14A of the Listing Rules. Upon Completion, such transactions will cease to be connected transactions of the Company.

## **GENERAL**

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

The Circular containing, among other things, (i) further information on the Disposal; (ii) further details of the Pledge CCT; (iii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice of the EGM, is expected to be despatched to the Shareholders on or before 12 June 2015, as additional time is required for the preparation of the information to be contained therein.

## **RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, the trading in the Shares on the Stock Exchange was halted with effect from 1:00 p.m. on 28 April 2015 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 29 April 2015.

## **THE S&P AGREEMENT**

Date: 28 April 2015

### **Parties**

Purchaser: Jia Ya Developments Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Chi

Vendor: the Company

Guarantor for Mr. Chi  
the Purchaser:

Mr. Chi shall provide 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: 1,001 ordinary shares of US\$1.00 each of Honglin International in the total amount of US\$1,001, being the entire issued share capital in Honglin International, free from any encumbrances and together with all rights now or thereafter attached thereto.

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

The initial Consideration shall be fixed at HK\$255 million, and is to be adjusted based on the reviewed consolidated net assets value of Honglin International attributable to owners of the parent as at 30 April 2015 pursuant to the Review Accounts to be adjusted by the Adjustment Amount. The Consideration shall be satisfied by the Purchaser in cash and payable on the date of Completion. The initial Consideration was arrived at after arm's length negotiations between the Company and the Purchaser with reference to the unaudited and unreviewed net asset value of the Disposal Group attributable to owners of the parent as at 31 December 2014 plus the difference between the appraised value of the self-used properties of the Disposal Group and the unaudited net book value of such properties as at 31 December 2014.

The Consideration shall be adjusted in the following ways: (i) if the Adjustment Amount is positive, then the initial consideration should be adjusted upward by the same amount, provided that the final Consideration shall not exceed HK\$260 million; and (ii) if the Adjustment Amount is negative, then the initial consideration should be adjusted downward by the same amount, provided that the final Consideration shall not be less than HK\$200 million.

The Review Accounts and the Valuation Report will be prepared before the despatch of the Circular for finalising the Consideration and the Company will include the financial information from the Review Accounts and the Valuation Report in the Circular.

## **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 S&P Agreement and the transactions contemplated thereunder by the Independent Shareholders;
2. the Company having obtained the Review Accounts and the Valuation Report;
3. the Company having obtained a PRC legal opinion in relation to the transactions contemplated under the S&P Agreement prepared by the PRC legal adviser engaged by the Company to the satisfaction of the Company; and
4. the Company and the Group 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 precedent set out above is not fulfilled on or before 30 September 2015 (or such later date as the Company and the Purchaser may otherwise agree in writing), the 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 written consent from the Purchaser or for the purpose of the transactions contemplated under the S&P Agreement, the assets and liabilities of Honglin International and the Disposal Group will not be materially changed since the date of the S&P Agreement and up to the Completion.

## **Completion**

Completion of the Disposal 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 parties to the S&P Agreement may otherwise agree in writing). In the event that a party to the S&P Agreement could not deliver any of the completion deliverables on the original date of Completion pursuant to the S&P Agreement, the counterparty to the S&P Agreement shall have the discretion to postpone the date of Completion to a new date which shall not be more than 90 days from the original date of Completion.

Upon Completion, Honglin International and each member of the Disposal Group will cease to be subsidiaries of the Company, and the Group will not consolidate the financial statements of each of companies within the Disposal Group thereafter.

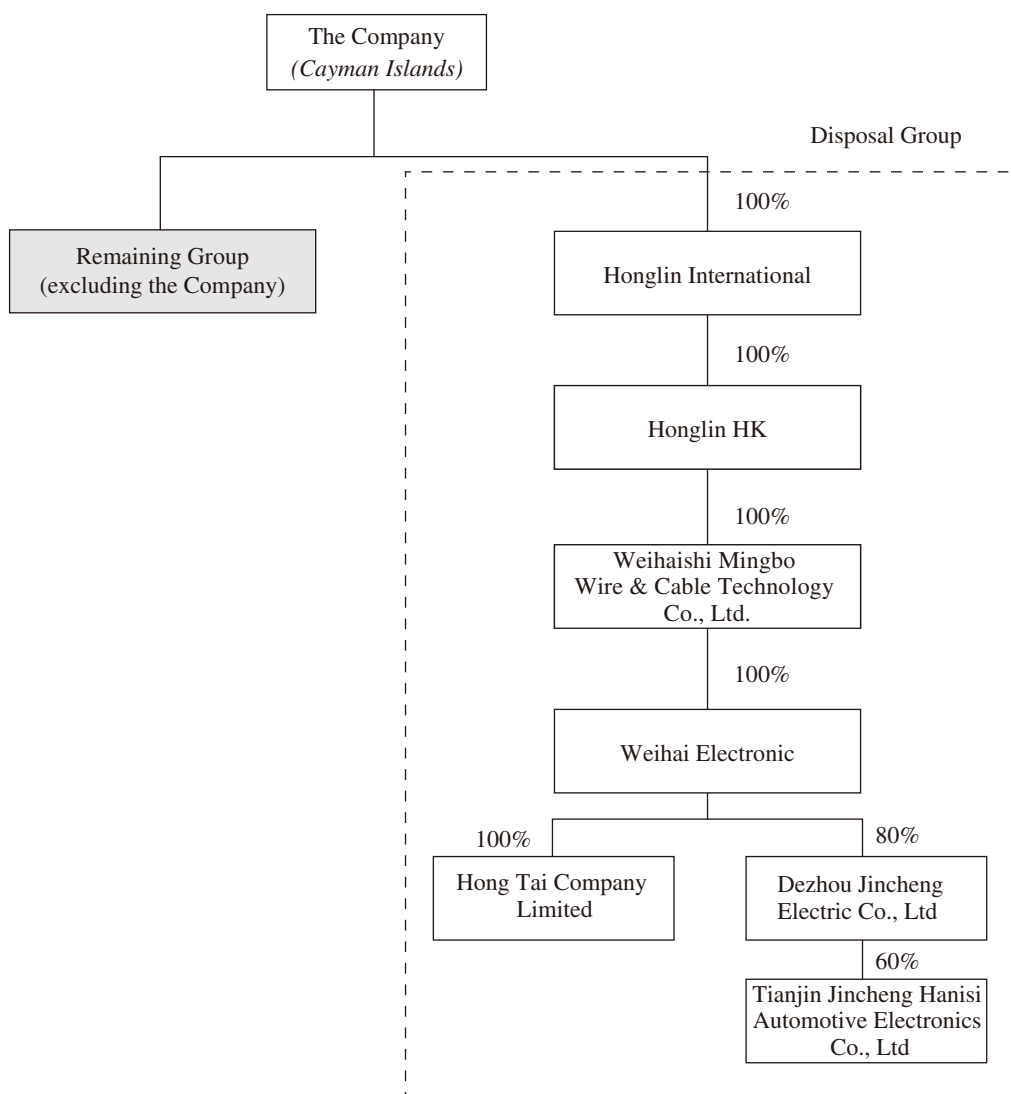
## INFORMATION ON THE DISPOSAL GROUP

### Business segments of the Disposal Group

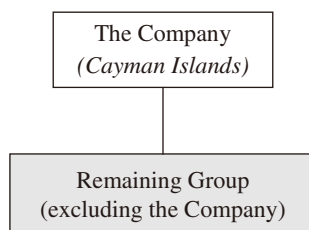
The Disposal Group is principally engaged in the manufacture and sale of power cord cable and assembly, automotive wiring harness and other products.

### Corporate structure of the Disposal Group

Set out below is the shareholding structure of the Disposal Group and the Remaining Group as at the date of this announcement:



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



### Financial information of the Disposal Group

Set out below is certain unaudited and unreviewed financial information of the Disposal Group for each of the two years ended 31 December 2014:

	<b>For the year ended 31 December 2014</b>	<b>For the year ended 31 December 2013</b>
	<i>Unaudited and unreviewed RMB' million</i>	<i>Unaudited and unreviewed RMB' million</i>
Revenue	678	718
Loss before taxation	(30)	(31)
Net loss after taxation	(30)	(29)
	<b>As at 31 December 2014</b>	<b>As at 31 December 2013</b>
	<i>Unaudited and unreviewed RMB' million</i>	<i>Unaudited and unreviewed RMB' million</i>
Net asset value attributable to the owners of the parent	191	221

### REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Group is a services and products provider for the global communication system, consumer electronics and automotive electronics markets. The Group is principally engaged in the designs, develops, manufactures and provision of communication system and signal transmission and connectivity products. The communication system segment engages in providing Private Network solutions, construction of base stations for telecommunications networks including TD-LTE, TD-SCDMA and GSM network, trading of telecommunications equipment, such as IPRAN and xPON, and the manufacture and sale of mobile phone handsets, related accessories and related software and Mobile Internet terminals. The signal transmission and connectivity products segment engages in the manufacture and sale of power cord cable and assembly, automotive wiring harness and other related products.

As mentioned in the annual report of the Company for the year ended 31 December 2014, 2014 was a great year for the development of Fourth Generation (“4G”) technology, Mobile Internet technology and enterprise Private Network technology in China, which boosted the continuous development of the whole telecommunication industry. As a reflection, the telecommunication technology has been deeply merged with traditional industry where people are surrounded by various applications of these technologies in their daily life and their working environment, which brings tremendous market demands. In particular, newly-developed enterprise Private Network technology has been making great progress as its customer base is expanding rapidly and penetrating into every corner of the world. In the meantime, the traditional telecommunication industry is competitive along with its development as more innovative competitors have been emerging, in particular the business with the three telecommunication operators has been under intense competitive pressure. The consumer electronic market demands are as usual and competition is still fierce.

During the year ended 31 December 2014, the revenue from signal transmission and connectivity products decreased by approximately RMB962.7 million, or approximately 57.8%, which was mainly due to the effect that Sumptuous Wealth Limited and its subsidiaries ceased to contribute to the Group after its disposal on 26 November 2013. In addition, the performance of products of power cord cable and assembly, automotive wiring harness and other products in 2014 was also not satisfactory.

For power cord cable and assembly products, the competition will be more intense as more and more innovative power cord manufacturers has entered into the market. Some of these renowned manufacturers has developed wireless charger devices for some electronic products which is a substantial threat to the power cord business of the Company, thus the prospects of the power cord business is not clear and the room for further growth in profit for the power cord will be further decreased in the foreseeable future. With stricter and stricter rules and regulations implemented in the power cord industry, relevant testing and production costs will be further increased. Given the circumstances, it is difficult for the Company to follow the developing trend and turn round its loss making status.

Since the acquisition of the automotive wiring harness business by the Group, the development of this business is slow and is difficult to make progress due to the relatively closed customer circle in the industry. The Company has not been making profit and tons of inventories have piled up in its factory, which is a big pressure to the Company.

The Group has invested substantially into the power cord cable and assembly business and the automotive wiring harness business but the earning has been decreasing while the expenses have been rising. Upon Completion, the Company will focus on its Remaining Business which includes the communication system segment. Besides, upon the Completion, the Consideration will be settled in cash which would enrich the internal resources of the Company for further developing the Remaining Business and/or financing new investment projects relating to communication application should such opportunity arise in the future.

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 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 entering into of the S&P Agreement and the transactions contemplated thereunder is 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, and each of the companies in the Disposal Group shall cease to be a subsidiary of the Company. 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 Valuation Surplus, the NAV Difference and the consolidated net asset value of Honglin International attributable to owners of the parent as at 30 April 2015, it is preliminarily expected that the Company will record a gain on the Disposal of approximately RMB2 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 31 December 2014; and (ii) the deduction of the currently estimated professional fees and other expenses of the Remaining Group which are attributable to the Disposal.

## **THE ENTRUSTMENT LOAN AGREEMENT AND THE TENANCY AGREEMENT**

On 28 April 2015, Weihai Yubo entered into the Entrustment Loan Agreement with Weihai Electronic pursuant to which Weihai Yubo has entrusted the Bank to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and the total amount of the entrustment loan which includes the principal amount and the interest accrued at any time during the term of the Entrustment Loan Agreement shall not be more than RMB102 million. Pursuant to the Entrustment Loan Agreement, Weihai Yubo was required to provide a pledge of land and property to the Bank to guarantee the entrustment loan provided by the Bank to Weihai Electronic. Such asset pledge requirement has been satisfied under the transactions contemplated under the Asset Pledge Agreement which has been in force prior to the entering into the S&P Agreement.

On the same date, Weihai Yubo entered into the Tenancy Agreement with Weihai Electronic and the transactions contemplated under these agreements will become effective immediately after the Completion.

Upon Completion, Weihai Electronic will become a connected person of the Group, and the transactions contemplated under the Tenancy Agreement, the Entrustment Loan Agreement and the Asset Pledge Agreement between the Remaining Group and the Disposal Group will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the date of this announcement, there are certain continuing connected transactions between the Disposal Group and Mr. Chi and his associates in effect under Chapter 14A of the Listing Rules. Upon Completion, such transactions will cease to be connected transactions of the Company.

## **1. Entrustment Loan Agreement**

Date: 28 April 2015

Parties: (1) Weihai Yubo  
(2) Weihai Electronic

### **Major Terms of the Entrustment Loan Agreement**

#### *Purpose of the loan*

Weihai Electronic has provided the entire amount from the entrustment loan to Weihai Yubo to finance the construction of a factory building.

#### *Loan amount*

Weihai Yubo has entrusted the Bank to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and the total amount of the entrustment loan which includes the principal amount and the interest accrued at any time during the term of the Entrustment Loan Agreement shall not be more than RMB102 million.

#### *Interest rate*

The interest of the entrustment loan shall be payable by Weihai Electronic to the Bank on a monthly basis, and Weihai Electronic shall charge the same amount of interest to Weihai Yubo on a back-to-back basis on the date of payment of the relevant interest to the Bank.

#### *Term of the loan*

The term of the entrustment loan shall be effective from 28 April 2015 to 31 December 2015 subject to the Completion of the Disposal, the Board's approval and the Independent Shareholders' approval at the EGM.

#### *Administrative costs*

If Weihai Electronic incurs any administrative costs charged by the Bank, Weihai Yubo shall reimburse such administrative costs to Weihai Electronic on the same date when such administrative costs were incurred. Save for the abovementioned administrative costs, Weihai Yubo shall not reimburse any other costs to Weihai Electronic.

#### *Asset pledge*

Pursuant to the Entrustment Loan Agreement, Weihai Yubo shall provide a pledge of land and property to the Bank to guarantee the entrustment loan to be provided by the Bank to Weihai Electronic. Such asset pledge requirement has been satisfied under the Asset Pledge Agreement entered into between Weihai Yubo and the Weihai branch of the Agricultural Bank of China which has been in force prior to the entering into of the S&P Agreement. Details of which are set out below.

## 2. Asset Pledge Agreement

On 24 December 2014, Weihai Yubo entered into the Asset Pledge Agreement with the Weihai branch of the Agricultural Bank of China, pursuant to which Weihai Yubo agreed to provide a pledge of land and property to guarantee a loan obtained by Weihai Electronic in the amount not exceeding RMB95 million for the period from 24 December 2014 to 23 December 2017. The transactions aforesaid have been in force prior to the entering into the S&P Agreement. Since Weihai Electronic will become a connected person of the Group upon Completion, the transactions contemplated under the Entrustment Loan Agreement and the corresponding the Asset Pledge Agreement will become continuing connected transactions of the Company.

## 3. Tenancy Agreement

On 28 April 2015, Weihai Electronic and Weihai Yubo have entered into the Tenancy Agreement, pursuant to which Weihai Yubo shall continue to lease to Weihai Electronic the land and the property erected thereon owned by Weihai Yubo. The major terms of the Tenancy Agreement are set out below:

Lessor:	Weihai Yubo
Lessee:	Weihai Electronic
Location of the land and property erected thereon:	A factory building with total gross floor area of approximately 44,312 square meters located on No. 6-9 and No. 6-10 Pudong Road, Economic and Technological Development Zone, Weihai City, Shandong Province, the PRC
Lease term:	From 28 April 2015 to 31 December 2017 subject to the Completion of the Disposal, the Board's approval and the Independent Shareholders' approval at the EGM
Rental:	RMB100 per square meter per year, and the total rental shall not be more than RMB4,000,000 in each of the three financial years ending 31 December 2017
Basis for determining the rental:	The yearly rental was determined between Weihai Yubo and Weihai Electronic after arm's length negotiation with reference to the prevailing market rent. The rent payable by Weihai Electronic is in line with the prevailing market rent as advised by independent professional property valuer.

**The annual caps of the Pledge CCT for the year ending 31 December 2015 and the Tenancy CCT for the three years ending 31 December 2017**

***Proposed annual cap for the Pledge CCT***

The maximum limit of guaranteed amount under the Asset Pledge Agreement by Weihai Yubo to the Bank in respect of the entrustment loan under the Entrustment Loan Agreement under the Pledge CCT for the year ending 31 December 2015 is as follows:

**For the year ending  
31 December 2015  
RMB**

Annual cap 102,000,000

The proposed annual cap for the Pledge CCT was determined after taking into account the guaranteed amount of the entrustment loan pursuant to the terms of the Asset Pledge Agreement plus the amount of the accrued interest on the outstanding entrustment loan balance during the term of the Entrustment Loan Agreement.

***Proposed annual caps for the Tenancy CCT***

The maximum rental payable by Weihai Electronic to Weihai Yubo under the Tenancy Agreement under the Tenancy CCT for the three years ending 31 December 2017 are as follows:

	<b>For the year ending 31 December 2015 RMB</b>	<b>For the year ending 31 December 2016 RMB</b>	<b>For the year ending 31 December 2017 RMB</b>
Annual caps	4,000,000	4,000,000	4,000,000

The proposed annual caps for the Tenancy CCT was determined after taking into account the annual rental of the property pursuant to the Tenancy Agreement.

**REASONS FOR ENTERING INTO THE ENTRUSTMENT LOAN AGREEMENT, THE ASSETS PLEDGE AGREEMENT AND THE TENANCY AGREEMENT**

The Group has decided to enter into the Entrustment Loan Agreement with a view to facilitate the debt financing of Weihai Yubo as Weihai Yubo owns the land and property but it does not have any business in operation, which is difficult for Weihai Yubo to obtain debt financing from banks in the PRC. The arrangement under the Entrustment Loan Agreement and the asset pledge under the Asset Pledge Agreement which is already in force enable Weihai Yubo to obtain debt financing for the construction of its factory building from Weihai Electronic, using its own land and property as a pledge for the entrustment loan provided to Weihai Electronic from the Bank while paying at the same level of interest rate to Weihai Electronic as that paid by Weihai Electronic to the Bank on a back-to-back basis.

The Group has decided to enter into the Tenancy Agreement with Weihai Electronic to avoid the factory building of Weihai Yubo from being idle as Weihai Yubo does not have any business in operation for the time being and the rental income from Weihai Electronic is expected to cover the interest expenses and taxes generated.

## **IMPLICATIONS UNDER THE LISTING RULES**

### **The Disposal**

As certain applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal is expected to be more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules. Besides, Mr. Chi is a substantial Shareholder, an executive Director and chief executive officer of the Company, who is interested in approximately 13.5% interests of the Company as at the date of this announcement, each of Mr. Chi and the Purchaser (being wholly-owned by Mr. Chi) is a connected person of the Company, and the Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A the Listing Rules.

Mr. Chi and his associates are regarded as having material interest in the Disposal and therefore they are required to abstain from voting on the resolution proposed to be passed at the EGM for approving the Disposal.

### **The Continuing Connected Transactions**

Upon Completion, Weihai Electronic will become a connected person of the Group, the transactions contemplated under the Entrustment Loan Agreement and the corresponding Asset Pledge Agreement shall become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratio in respect of the Entrustment Loan Agreement and the Asset Pledge Agreement is more than 5% and less than 25% and the principal amount of the entrustment loan of RMB95 million guaranteed by the pledge of land and property under the Asset Pledge Agreement for the year ending 31 December 2015 is more than HK\$10,000,000, the transactions contemplated under the Entrustment Loan Agreement and the Asset Pledge Agreement and their proposed annual cap are subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Weihai Electronic will become a connected person upon Completion, the transactions under the Tenancy Agreement will constitute the continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the Tenancy Agreement are more than 0.1% and less than 5% and the amount of the rental income to be received by Weihai Yubo pursuant to the Tenancy Agreement for each of the three years ending 31 December 2017 is less than HK\$10,000,000, the transactions contemplated under the Tenancy Agreement and the proposed annual caps are subject to the reporting, announcement and annual review requirements but exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

## **GENERAL**

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

The Circular containing, among other things, (i) further information on the Disposal; (ii) further details of the Pledge CCT; (iii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (v) a notice of the EGM is expected to be despatched to the Shareholders on or before 12 June 2015 as additional time is required for the preparation of the information to be contained therein.

## **RESUMPTION OF TRADING IN THE SHARES**

At the request of the Company, the trading in the Shares on the Stock Exchange was halted with effect from 1:00 p.m. on 28 April 2015 pending the release of this announcement. An application has been made by the Company to the Stock Exchange for resumption of trading in the Shares with effect from 9:00 a.m. on 29 April 2015.

## **DEFINITIONS**

“Adjustment Amount”	the sum of (i) the NAV Difference and (ii) the Valuation Surplus
“Asset Pledge Agreement”	the agreement dated 24 December 2014 entered into between Weihai Yubo and the Weihai branch of the Agricultural Bank of China pursuant to which Weihai Yubo shall provide a pledge of land and property to guarantee a loan obtained by Weihai Electronic in the amount not exceeding RMB95 million for the period from 24 December 2014 to 23 December 2017
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Auditors”	the professional accountants as agreed to be appointed by the Purchaser and the Company
“Bank”	the bank in PRC which possesses the relevant qualification to provide an entrustment loan
“Board”	board of Directors
“BVI”	the British Virgin Islands
“Circular”	the circular to be despatched by the Company in relation to the Disposal

“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable by the Purchaser to the Company for the Disposal
“Continuing Connected Transactions”	the Pledge CCT to be carried out for the year ending 31 December 2015 and the Tenancy CCT to be carried out for each of the three years ending 31 December 2017
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Share, representing the entire interest in Honglin International by the Company to the Purchaser pursuant to the S&P Agreement
“Disposal Group”	Honglin International and its subsidiaries which will be disposed of by the Company to the Purchaser pursuant to the Disposal
“EGM”	an extraordinary general meeting to be convened by the Company to consider and, if thought fit, to approve, among other things, the S&P Agreement, the Pledge CCT and the transactions contemplated thereunder
“Entrustment Loan Agreement”	the agreement entered into between Weihai Yubo and Weihai Electronic dated 28 April 2015 pursuant to which Weihai Yubo will entrust the Bank to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and the total amount of the entrustment loan which includes the principal amount and the interest accrued at any time during the term of the Entrustment Loan Agreement shall not be more than RMB102 million.
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Honglin HK”	Honglin International (Hong Kong) Company Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Honglin International as at the date of this announcement, which is a member of the Disposal Group

“Honglin HK Group	Honglin HK and its subsidiaries which are within the Disposal Group
“Honglin International”	Honglin International Limited, a company incorporated in Cayman Islands with limited liability and wholly-owned by the Company as at the date of this announcement and prior to the Completion, which is a member of the Disposal Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely, Mr. Thomas Tam, Mr. Pao Ping Wing and Ms. Zheng Lin formed to advise the Independent Shareholders on the S&P Agreement, the Pledge CCT and the transactions contemplated therein
“Independent Shareholders”	Shareholders other than Mr. Chi and his associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chi”	Mr. Chi Shaolin, a substantial Shareholder, an executive Director and the chief executive officer of the Company, who is interested in approximately 13.5% of the Company as at the date of this announcement and thus is a connected person of the Company
“NAV Difference”	represents the amount of the consolidated net asset value of Honglin International attributable to owners of the parent as at 30 April 2015 reviewed by the Auditors less (i) the unaudited and unreviewed net asset value of the Honglin HK Group attributable to owners of the parent as at 31 December 2014; (ii) the difference between the unaudited and unreviewed net asset value of Weihai Property as at 31 December 2014 and the consideration for the disposal of Weihai Property in January 2015; and (iii) the unaudited and unreviewed net asset value of Honglin International as at 28 April 2015.
“Pledge CCT”	the continuing connected transactions contemplated under the Entrustment Loan Agreement and the Asset Pledge Agreement
“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Purchaser”	Jia Ya Developments Limited, a company incorporated in BVI with limited liability and is wholly-owned by Mr. Chi



“Remaining Business”	the business of the Group excluding those conducted by the Disposal Group
“Remaining Group”	companies within the Group other than the Disposal Group
“Review Accounts”	consolidated accounts on the Disposal Group for the four months ending 30 April 2015 to be prepared based on International Financial Reporting Standards by the Company and reviewed by the Auditors
“RMB”	Renminbi, the lawful currency in the PRC
“Sale Share”	1,001 ordinary shares of US\$1.00 each of Honglin International in the total amount of US\$1,001, representing the entire issued share capital of Honglin International
“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“S&P Agreement”	the conditional sale and purchase agreement dated 28 April 2015 entered into among the Company, the Purchaser and Mr. Chi in relation to the sale and purchase of the Sale Share
“Tenancy Agreement”	the property lease agreement dated 28 April 2015 entered into between Weihai Electronic and Weihai Yubo in relation to the lease of the land and property erected thereon owned by Weihai Yubo
“Tenancy CCT”	the continuing connected transactions contemplated under the Tenancy Agreement
“US\$”	the United States dollars, the lawful currency of the United States of America
“Valuation Report”	the valuation report for the independent valuation of the self-used properties of the Disposal Group as at 30 April 2015 to be appraised by a qualified independent valuer
“Valuation Surplus”	the difference between the valuation of the self-used properties of the Disposal Group as at 30 April 2015 and as at 31 December 2014, both to be appraised by a qualified independent valuer

“Weihai Electronic”	威海市泓淋電子有限公司 (transliterated as “Weihaishi Honglin Electronic Co., Ltd.*”), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Group as at the date of this announcement, which is a member of the Disposal Group
“Weihai Property”	威海錦源銘業房地產開發有限公司 (transliterated as “Weihai Jinyuan Mingye Property Development Co., Ltd.*”), a company established in the PRC with limited liability and a wholly-owned subsidiary of Weihai Yubo as at the date of this announcement, which is a member of the Remaining Group
“Weihai Yubo”	威海市裕博線纜科技有限公司 (transliterated as Weihai Yubo Wire & Cable Technology Co., Ltd.*) a company established in the PRC with limited liability and a wholly-owned subsidiary of the Group as at the date of this announcement, which is a member of the Remaining Group
“%”	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, 28 April 2015

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

\* For identification purposes only