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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 IN RELATION TO DISPOSAL OF EQUITY INTERESTS IN A WHOLLY-OWNED SUBSIDIARY

Financial adviser to the Company



THE DISPOSAL

The Board is pleased to announce that on 8 July 2015 (after trading hours), the Company entered into the Sale and Purchase Agreement with the Purchaser and Mr. Zhang (as the guarantor for the Purchaser), pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the Sale Equity Interest, which represents 100% of the equity interest in the Target Company, for a total cash Consideration of RMB65 million (or HK\$82 million).

As at the date of this announcement and prior to Completion, the Company holds 100% of the equity interest in the Target Company. Upon Completion, the Company will cease to hold any equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the Disposal exceed(s) 5% but is/are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purposes only

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THE SALE AND PURCHASE AGREEMENT

Parties

Date: 8 July 2015 (after trading hours)

Parties: The Company, as the vendor;

Meadow Bridge Limited, a company incorporated in Anguilla, BWI with limited liability and wholly-owned by Mr. Zhang, as the Purchaser

Mr. Zhang, as the guarantor for the Purchaser

Mr. Zhang shall provide to the Company a guarantee for the due and punctual performance of the Purchaser's obligations under the Sale and Purchase Agreement, subject to and upon the terms and conditions of the Sale and Purchase Agreement.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, the Purchaser and Mr. Zhang are third parties independent of the Company and its connected persons (as defined under the Listing Rules).

Assets to be disposed

The Sale Equity Interest, representing 100% of equity interest in the Target Company as at the date of this announcement.

Consideration and payment terms

The total Consideration for the Sale Share is RMB65 million (or HK\$82 million). The Consideration has been determined after arm's length negotiations between the Purchaser and the Company with reference to (i) the net asset value of the Target Company as at 30 June 2015 reviewed by an independent auditor appointed by the Company with the consent of the Purchaser; and (ii) the market value of the Property as at 30 June 2015 in accordance with valuation conducted by an independent professional valuer appointed by the Company with the consent of the Purchaser, netting off the amounts payable by the Company to the Target Company as at 30 June 2015 of approximately RMB19.2 million, or HK\$24.4 million. The Consideration shall be payable in cash either in RMB or HK\$ by the Purchaser no later than 30 September 2015.

Condition Precedent

Completion of the Disposal under the Sale and Purchase Agreement shall be conditional upon 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 Sale and Purchase Agreement and the transactions contemplated thereunder by the Board.

Completion

Completion shall take place on the later date of (i) the date of fulfillment of the Condition and (ii) the date on which the Consideration is paid in full by the Purchaser or any one Business Day within the five (5) Business Days thereafter (or such other date as agreed between the parties to the Sale and Purchase Agreement in writing).

As at the date of this announcement and prior to Completion, the Company holds 100% of the equity interest in the Target Company. Upon Completion, the Company will cease to hold any equity interest in the Target Company and the Target Company will cease to be a subsidiary of the Company.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated in Anguilla, BWI with limited liability, which is wholly-owned by Mr. Zhang. The Purchaser is principally engaged in investment holding.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability pursuant to the split-off of 威海市明博線纜科技有限公司 (transliterated as “Weihaishi Mingbo Wire & Cable Technology Co., Ltd”, a former subsidiary of the Company) on 24 October 2014. The Target Company is principally engaged in the manufacture and sale of consumer electronic products, however, it had no substantive business in operation and its major assets comprise the Property.

Financial information of the Target Company

Set out below are certain financial information of the Target Company for the period from 24 October 2014 (its date of establishment) to 31 December 2014:

	For the period from 24 October 2014 to 31 December 2014 (Unaudited) RMB million
Revenue	–
Profit before taxation	–
Net profit after taxation	–

As at
31 December
2014
(Unaudited)
RMB million

Total assets	156
Net assets	104

REASON FOR THE DISPOSAL AND USE OF PROCEEDS

The Group is principally engaged in the design, development, manufacture and provision of communication system and related products.

Upon the completion of the disposal of Honglin International Co., Ltd (a former subsidiary of the Company) as disclosed in the announcement of the Company dated 30 June 2015, the Company does not have any business operations in Weihai and the Property has been left idle and leased out. The Directors believe that the Disposal will improve the liquidity of the Group and the Company will be able to focus more on those businesses with better prospects and profitability. In view of the above, the Directors consider that the entering into of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Directors consider that the Disposal will not cause any material adverse impact to the business, operations and financial position of the Group.

FINANCIAL EFFECTS OF THE DISPOSAL

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

It is estimated that upon Completion, the net loss arising from the Disposal is expected to be approximately RMB0.3 million.

The proceeds from the Disposal will be used as general working capital of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to the Disposal exceed(s) 5% but is/are less than 25%, the Disposal constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“Business Day”	a day (excluding Saturday, Sunday and other general holidays in Hong Kong) on which licensed banks are generally open for business
“BWI”	the British West Indies
“Company”	HL Technology Group Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Condition”	the condition precedent to the Completion
“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 in the amount of RMB65 million (or HK\$82 million)
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Sale Equity Interest, representing 100% of the equity interest in the Target Company, by the Company to the Purchaser pursuant to the Sale and Purchase Agreement
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Kedong* (張克東)

“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Property”	the plant and land within the site of the Target Company located at Pudong Road, Economic and Technological Zone, Weihai City, Shandong Province, the PRC
“Purchaser”	Meadow Bridge Limited, a company incorporated in Anguilla, BWI with limited liability, which is wholly owned by Mr. Zhang
“RMB”	Renminbi, the lawful currency in the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 8 July 2015 entered into among the Company and the Purchaser in relation to the sale and purchase of the Sale Equity Interest
“Sale Equity Interest”	100% of the equity interest in the Target Company
“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
“Target Company”	威海市裕博線纜科技有限公司 (transliterated as “Weihaishi Yubo Wire & Cable Technology Co., Ltd.*”) a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company and is the sole registered and beneficial owner of the Property
“US\$”	the United States dollars, the lawful currency of the United States of America
“%”	per cent.

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

Hong Kong, 8 July 2015

As at the date of this announcement, the executive Directors are Mr. Chi Shaolin (Chairman and CEO), Mr. Cheng Wen, Mr. Lu Chengye and Mr. Wu Chi Luen and the independent non-executive Directors are Mr. Thomas Tam, Mr. Pao Ping Wing, Ms. Zheng Lin, Mr. Qu Wen Zhou and Mr. Lu, Brian Yong Chen.