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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 MOTOR VEHICLES, EQUIPMENT AND PROPERTIES

Financial adviser to the Company



THE DISPOSAL

The Board is pleased to announce that on 4 December 2015 (after trading hours), Shenyang New Postcom, an indirect wholly-owned subsidiary of the Company entered into:

- (I) the S&P Agreement A with the Purchaser, pursuant to which Shenyang New Postcom agreed to sell and the Purchaser agreed to purchase the Motor Vehicles for a total cash consideration of RMB500,000;
- (II) the S&P Agreement B with the Purchaser, pursuant to which Shenyang New Postcom agreed to sell and the Purchaser agreed to purchase the Equipment for a total cash consideration of RMB1,000,000; and
- (III) the S&P Agreement C with the Purchaser, pursuant to which Shenyang New Postcom agreed to sell and the Purchaser agreed to purchase the Properties for a total cash consideration of RMB98,500,000.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Disposals in aggregate exceed 5% but are below 25%, the Disposals constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

* For identification purpose only

INTRODUCTION

The Board is pleased to announce that on 4 December 2015 (after trading hours), Shenyang New Postcom, an indirect wholly-owned subsidiary of the Company entered into:

- (I) the S&P Agreement A with the Purchaser, pursuant to which Shenyang New Postcom agreed to sell and the Purchaser agreed to purchase the Motor Vehicles for a total cash consideration of RMB500,000;
- (II) the S&P Agreement B with the Purchaser, pursuant to which Shenyang New Postcom agreed to sell and the Purchaser agreed to purchase the Equipment for a total cash consideration of RMB1,000,000; and
- (III) the S&P Agreement C with the Purchaser, pursuant to which Shenyang New Postcom agreed to sell and the Purchaser agreed to purchase the Properties for a total cash consideration of RMB98,500,000.

THE S&P AGREEMENT A

Parties

Date: 4 December 2015

Parties: Shenyang New Postcom, as the vendor;

沈陽市聯盛科技有限公司 (transliterated as Shengyang City Liansheng Technology Company Limited*), a limited liability company incorporated in the PRC, as the Purchaser

Assets to be disposed

Pursuant to the S&P Agreement A, Shenyang New Postcom has agreed to sell and the Purchaser has agreed to purchase the Motor Vehicles.

Consideration and payment terms

The consideration for the Motor Vehicles (“**Consideration A**”) is RMB500,000. Consideration A was determined after arm’s length negotiations between the Purchaser and Shenyang New Postcom, with reference to the market value of the Motor Vehicles of RMB495,500 as at 30 June 2015 based on the valuation conducted by an independent professional valuer appointed by the Company.

Pursuant to S&P Agreement A, Consideration A shall be payable in cash within forty-five (45) days after signing of S&P Agreement A. Shenyang New Postcom shall transfer the Motor Vehicles and complete the registration regarding the transfer of the Motor Vehicles within sixty (60) days upon receipt of the full amount of Consideration A. The Directors consider that Consideration A and its payment terms are fair and reasonable and on normal commercial terms.

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Condition Precedent

Completion of S&P Agreement A is subject to the obtaining of all necessary approvals from, among others, the relevant shareholders, governmental or regulatory authorities or other third parties (if applicable).

Completion

Completion shall take place upon fulfilment of the condition precedent pursuant to S&P Agreement and settlement of payment of the full amount of Consideration A and registration of the transfer of the Motor Vehicles.

INFORMATION OF THE MOTOR VEHICLES

The Motor Vehicles to be transferred pursuant to S&P Agreement A comprised fourteen vehicles including sedan and minivan, and truck and forklift originally for the Group's manufacturing use. The years of usage of the Motor Vehicles ranged from 2 years to 6 years.

As at 30 June 2015, the net carrying amount of the Motor Vehicles is RMB236,084. During the two financial years ended 31 December 2014, the Motor Vehicles were used internally by the Group and they did not generate any revenue and profit/loss to the Group.

THE S&P AGREEMENT B

Parties

Date: 4 December 2015

Parties: Shenyang New Postcom, as the vendor;

沈陽市聯盛科技有限公司 (transliterated as Shengyang City Liansheng Technology Company Limited*), a limited liability company incorporated in the PRC, as the Purchaser

Assets to be disposed

Pursuant to the S&P Agreement B, the Shenyang New Postcom has agreed to sell and the Purchaser has agreed to purchase the Equipment.

Consideration and payment terms

The consideration for the Equipment ("**Consideration B**") is RMB1,000,000. Consideration B was determined after arm's length negotiations between the Purchaser and Shenyang New Postcom with reference to the market value of the Equipment of RMB993,400 as at 30 June 2015 based on the valuation conducted by an independent professional valuer appointed by the Company.

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Pursuant to S&P Agreement B, 30% of Consideration B, representing an amount of RMB300,000, shall be payable in cash within forty five (45) days after signing of the S&P Agreement B while the remaining 70% of Consideration B, representing an amount of RMB700,000, shall be payable in cash within one hundred and twenty (120) days after signing of S&P Agreement B. Shenyang New Postcom shall transfer the Equipment to the Purchaser within fifteen (15) days upon receipt of the full amount of Consideration B. The Directors consider that Consideration B and its payment terms are fair and reasonable and on normal commercial terms.

Condition Precedent

Completion of S&P Agreement B is subject to the obtaining of all necessary approvals from, among others, the relevant shareholders, governmental or regulatory authorities or other third parties (if applicable).

Completion

Completion shall take place upon fulfilment of the condition precedent pursuant to S&P Agreement B and settlement of payment of the full amount of Consideration B and transfer of the Equipment.

INFORMATION OF THE EQUIPMENT

The Equipment to be transferred pursuant to S&P Agreement B comprised various types of tools, electrical appliances, computer equipment and office network equipment of Shenyang New Postcom.

As at 30 June 2015, the net carrying amount of the Equipment is RMB1,052,989. During the two financial years ended 31 December 2014, the Equipment were used internally by the Group and they did not generate any revenue and profit/loss to the Group.

THE S&P AGREEMENT C

Parties

Date: 4 December 2015

Parties: Shenyang New Postcom, as the vendor;

沈陽市聯盛科技有限公司 (transliterated as Shengyang City Liansheng Technology Company Limited*), a limited liability company incorporated in the PRC, as the Purchaser

Assets to be disposed

Pursuant to the S&P Agreement C, the Shenyang New Postcom has agreed to sell and the Purchaser has agreed to purchase the Properties.

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Consideration and payment terms

The consideration for the Equipment (“**Consideration C**”) is RMB98,500,000. Consideration C was determined after arm’s length negotiations between the Purchaser and Shenyang New Postcom with reference to the market value of the Properties of RMB95,982,000 as at 30 June 2015 based on the valuation conducted by an independent professional valuer appointed by the Company.

Pursuant to S&P Agreement C, 30% of Consideration C, representing an amount of RMB29,550,000, shall be payable in cash within forty five (45) days after signing of S&P Agreement C while the remaining 70% of Consideration C, representing an amount of RMB68,950,000, shall be payable in cash within one hundred and twenty (120) days after signing of S&P Agreement C. Shenyang New Postcom shall complete the registration of the change of land use rights and property ownership in respect of the Properties within six (6) months upon receipt of the full amount of Consideration C. The Directors consider that Consideration C and its payment terms are fair and reasonable and on normal commercial terms.

Condition Precedent

Completion of S&P Agreement C is subject to the obtaining of all necessary approvals from, among others, the relevant shareholders, governmental or regulatory authorities or other third parties (if applicable).

Completion

Completion of the S&P Agreement C shall take place upon fulfilment of the condition precedent pursuant to S&P Agreement C and settlement of payment of the full amount of Consideration C and registration of the transfer of the land use rights and property ownership in respect of the Properties.

INFORMATION OF THE PROPERTIES

The Properties to be transferred pursuant to the S&P Agreement C are 2 parcels of land with a total site area of approximately 151,132 square meters and located at No. 51 Shenbei Street, Daoyi Econ-Tech, Development Zone, Shenbei New District, Shenyang City, Liaoning Province, the PRC. The Properties comprised four buildings and various structures erected thereon which were completed from 2008 to 2011. Apart from the aforesaid four completed buildings, there were two unfinished buildings erected on the land of the property. The construction of the two unfinished buildings was suspended and the remaining portion of the property was vacant as at the date of this announcement.

As at 30 June 2015, the net carrying amount of the Properties is RMB93,982,211. During the two financial years ended 31 December 2014, the Properties did not generate any revenue and profit/loss to the Group.

INFORMATION ON THE PURCHASER

The Purchaser is a limited liability company established in the PRC. The scope of business of the Purchaser includes research and development (“**R&D**”) of computer information technology, software, hardware and electronics products; installation, maintenance, and system engineering of computer; sale of electronics products, communication systems and software and hardware of computer as well as technical consultancy service of computer.

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

REASONS FOR AND BENEFITS OF THE DISPOSALS

The Group is principally engaged in the design, R&D, provision of communication system and related products, network system integration and software solutions.

As set out in the annual report of the Company for the year ended 31 December 2014, the Group has been gradually transforming its operation model to R&D and sales and marketing oriented with a view to create more profit and enhance the value of the Company for the Shareholders. In addition, in order to diversify the Group’s investments in the telecommunication industry, the Group has entered into a sale and purchase agreement in November 2015 to acquire Fortune Grace Management Limited and its subsidiaries (the “**Acquisition**”) which are principally engaged in the business of network system integration, including the provision of network infrastructure solutions and net professional services as well as internet related software solutions. Details of the Acquisition are set out in the announcement of the Company dated 6 November 2015.

The Directors believe that the Disposals represent an opportunity of the Group to realize its manufacturing plant in respect of its telecommunication products and its relevant equipment and motor vehicles and reallocate its resources to R&D and sales and marketing of Enterprise Private Network Solutions. The Directors are also of the view that the Disposals could improve the liquidity of the Group and the Group 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 of the S&P Agreement A, S&P Agreement B and S&P Agreement C and the transactions contemplated thereunder are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

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

FINANCIAL EFFECTS OF THE DISPOSALS AND USE OF PROCEEDS

For the purpose of calculating a more accurate estimated financial effect of the Disposals at Group level, the net carrying amount of the Motor Vehicles, Equipment and Properties at Group level as at 30 November 2015 of approximately RMB195,000, RMB340,000 and RMB97,903,000 respectively have been applied in the calculation.

Upon completion of the Disposals, the Group is expected to realise an aggregated gain of approximately RMB1,562,000, representing the sum of (i) a gain of approximately RMB305,000, which results from the difference between the consideration for the disposal of the Motor Vehicles and its net carrying amount at Group level as at 30 November 2015; (ii) a gain of approximately RMB660,000, which results from the difference between the consideration for the disposal of the Equipment and its net carrying amount at Group level as at 30 November 2015; and (iii) a gain of approximately RMB597,000, which results from the difference between the consideration for the disposal of the Properties and its net carrying amount at Group level as at 30 November 2015.

The aggregate net proceeds from the Disposals of approximately RMB97,000,000 (after deduction of relevant transaction costs but excluding related taxes) will be used by the Group as general working capital and for future investment opportunities as may be identified by the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) in relation to the Disposals in aggregate exceed 5% but are below 25%, the Disposals constitute discloseable transactions of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Disposals”	collectively, the disposal of Motor Vehicles, Equipment and Properties by Shenyang New Postcom to the Purchaser pursuant to S&P Agreement A, S&P Agreement B and S&P Agreement C respectively
“Equipment”	Equipment held by Shenyang New Postcom as at the date of this announcement, details of which are set out under section headed “Information of the Equipment” herein

“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Motor Vehicles”	motors vehicles held by Shenyang New Postcom as at the date of this announcement, details of which are set out under section headed “Information of the Motor Vehicles” herein
“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Properties”	properties held by Shenyang New Postcom as at the date of this announcement, details of which are set out under section headed “Information of the Properties” herein
“Purchaser”	沈陽市聯盛科技有限公司 (Shenyang City Liansheng Technology Co., Ltd*), a limited liability company incorporated in the PRC
“RMB”	Renminbi, the lawful currency in the PRC
“S&P Agreement A”	the conditional sale and purchase agreement dated 4 December 2015 entered into between Shenyang New Postcom and the Purchaser in relation to the sale and purchase of the Motor Vehicles
“S&P Agreement B”	the conditional sale and purchase agreement dated 4 December 2015 entered into between Shenyang New Postcom and the Purchaser in relation to the sale and purchase of the Equipment
“S&P Agreement C”	the conditional sale and purchase agreement dated 4 December 2015 entered into between Shenyang New Postcom and the Purchaser in relation to the sale and purchase of the Properties
“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shenyang New Postcom”	Shenyang New Postcom Co., Ltd (沈陽新郵通信設備有限公司), a company established in the PRC and is an indirect wholly owned subsidiary of the Company

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“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
Wu Chi Luen
Executive Director and CEO

Hong Kong, 4 December 2015

As at the date of this announcement, the executive Directors are Mr. Wu Chi Luen (CEO), Mr. Cheng Wen and Mr. Lu Chengye, the non-executive Director is Mr. Wong Kui Shing, Danny and the independent non-executive Directors are Mr. Thomas Tam, Mr. Pao Ping Wing, Mr. Qu Wen Zhou and Mr. Lu, Brian Yong Chen.