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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 INTANGIBLE ASSETS

Financial adviser to the Company



THE DISPOSAL

The Board is pleased to announce that on 31 December 2015 (after trading hours), Shenyang New Postcom, an indirect wholly-owned subsidiary of the Company entered into the S&P Agreement with the Purchaser, pursuant to which Shenyang New Postcom has agreed to sell and the Purchaser has agreed to purchase the Intangible Assets for a total cash consideration of RMB150 million.

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 Disposal exceed 5% but are below 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 purpose only

INTRODUCTION

The Board is pleased to announce that on 31 December 2015 (after trading hours), Shenyang New Postcom, an indirect wholly-owned subsidiary of the Company entered into the S&P Agreement with the Purchaser, pursuant to which Shenyang New Postcom agreed to sell and the Purchaser agreed to purchase the Intangible Assets for a total cash consideration of RMB150 million.

THE S&P AGREEMENT

Parties

Date: 31 December 2015

Parties: Shenyang New Postcom, as the vendor;

深圳吉時銘業科技有限公司 (transliterated as Shenzhen Ji Shi Ming Ye Technology Company Limited*), a limited liability company established in the PRC, as the Purchaser.

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 its connected persons.

Assets to be disposed

Pursuant to the S&P Agreement, Shenyang New Postcom agreed to sell and the Purchaser agreed to purchase the Intangible Assets.

Consideration and payment terms

The consideration for the Intangible Assets (the "**Consideration**") is RMB150 million. The Consideration was determined after arm's length negotiations between the Purchaser and Shenyang New Postcom, with reference to the market value of the Intangible Assets of RMB146 million as at 30 November 2015 based on the valuation conducted by an independent professional valuer appointed by the Company and the expected expenses incurred in relation to the Disposal.

The Consideration shall be payable in cash on or before 31 March 2016. The Directors consider that the Consideration and its payment terms are fair and reasonable and on normal commercial terms.

Completion

Completion shall take place forthwith upon receipt of the Consideration from the Purchaser by Shenyang New Postcom and Shenyang New Postcom shall assist the Purchaser to complete the transfer of title within six months from receiving the full payment of the Consideration. Completion shall not be subject to any condition precedent whatsoever.

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INFORMATION OF THE INTANGIBLE ASSETS

The Intangible Assets to be transferred under the S&P Agreement are mainly the technology know-how of the third generation mobile telecommunications multi-media technology and certain patents relating to wireless mobile communication terminals and systems owned by Shenyang New Postcom. The Intangible Assets had been used in wireless mobile communication terminal products and network products related business. As at 30 November 2015, the net carrying amount of the Intangible Assets was approximately RMB92.7 million.

INFORMATION ON THE PURCHASER

The Purchaser is a limited liability company established in the PRC. The scope of business of the Purchaser is electronic products, communication information technology, computers, computer consumables, electronic components, electronic equipment, communication equipment and related product development, technology transfer, technology consultancy and services, the wholesale, import and export of the above products, tea and wine and related supporting business (not involving state operated trading products, for products involving quota, approval management and other under specifically regulated, application will have to be made accordingly); big data, cloud computing technology development, database services and project investment consultancy.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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 interim report of the Company for the six months ended 30 June 2015, the traditional telecommunication industry is competitive along with its development as more innovative competitors have been emerging, in particular the business with the three major telecommunication operators and wireless mobile communication terminal products has been under intense competitive pressure. The Group gradually focused on putting more resources into the Enterprise Private Network Solution and downsizing the R&D and sales and marketing of the wireless mobile communication terminal products and network products. As such, the Directors consider that the Intangible Assets will no longer be necessary to the future operations of the Group but they are still functional for applications in other regions and aspect and the Directors decided to dispose of such assets to party who required such assets and avoid any future impairment to the financial statements of the Group. Following the completion of the acquisition of Fortune Grace Management Limited and its subsidiaries on 13 November 2015 (the “**Acquisition**”), the Group has been expanding its business in 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. As disclosed in the announcement of the Company dated 4 December 2015, the Company has entered into three sale and purchase agreements to dispose of certain assets in relation to its manufacturing operation for the telecommunications products.

The Directors believe that the Disposal represents an opportunity for the Group to realise the Intangible Assets in respect of its wireless mobile communication terminal products and network products related business 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 Disposal 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 and the transaction 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 AND USE OF PROCEEDS

Upon Completion, the Group is expected to realise a gain of approximately RMB57.3 million (excluding related taxes) which results from the difference between the Consideration and its net carrying amount as at 30 November 2015.

The net proceeds from the Disposal of approximately RMB148 million 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 Disposal exceed 5% but are below 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

“Board”	board of Directors
“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
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the Intangible Assets pursuant to the S&P Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Intangible Assets”	the technology know-how of the third generation mobile telecommunications multi-media technology and certain patents relating to wireless mobile communication terminals and systems owned by Shenyang New Postcom, the target assets pursuant to the S&P Agreement
“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
“Purchaser”	深圳吉時銘業科技有限公司 (transliterated as Shenzhen Ji Shi Ming Ye Technology Company Limited*), a limited liability company established in the PRC
“RMB”	Renminbi, the lawful currency in the PRC
“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
“S&P Agreement”	the sale and purchase agreement dated 31 December 2015 entered into between Shenyang New Postcom and the Purchaser in relation to the sale and purchase of the Intangible Assets
“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, 31 December 2015

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

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