

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 ACQUISITION OF 100% ISSUED SHARE CAPITAL OF THE TARGET COMPANY

THE ACQUISITION

Reference is made to the announcement of the Company dated 8 March 2016 in relation to the MOU. The Board is pleased to announce that on 24 March 2016 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor and the Vendor Guarantor, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the 100% of the issued share capital of the Target Company, for a total cash Consideration of HK\$400,000,000.

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 Acquisition exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION

The Board is pleased to announce that on 24 March 2016 (after trading hours), the Purchaser entered into the Sale and Purchase Agreement with the Vendor and the Vendor Guarantor, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the 100% of the issued share capital of the Target Company, for a total cash Consideration of HK\$400,000,000.

* For identification purpose only

THE SALE AND PURCHASE AGREEMENT

Parties

Date: 24 March 2016

Parties: The Company, as the Purchaser;

Sina Trade Limited, as the Vendor; and

Mr. Mao Hai Tao (毛海濤), as the Vendor Guarantor.

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

Assets to be acquired

The Purchaser agreed to acquire and the Vendor agreed to sell the 100% of the issued share capital of the Target Company.

Upon completion of the Acquisition, the Target Company will become a direct wholly-owned subsidiary of the Company.

Consideration and payment terms

The Consideration for the Acquisition is HK\$400,000,000, which shall be settled in cash in the following manner:

1. HK\$80,000,000, representing 20% of the Consideration, shall be settled within three business days from the date of Completion (or such later date as agreed between the Purchaser and the Vendor in writing);
2. HK\$160,000,000, representing 40% of the Consideration, shall be settled within two months from the date of Completion (or such later date as agreed between the Purchaser and the Vendor in writing); and
3. HK\$160,000,000, representing 40% of the Consideration, shall be settled within four months from the date of Completion (or such later date as agreed between the Purchaser and the Vendor in writing).

The Consideration has included all outstanding loans owed by the Target Company to the Vendor Guarantor immediately before the date of Completion (the "Loans"), if any. Subject to the settlement of the Consideration, the Vendor Guarantor agreed to transfer the title of the Loans to the Purchaser at nil consideration.

The Consideration has been determined after arm's length negotiations between the Purchaser and the Vendor after taking into account, among others, (i) the profit guarantee to be given by the Vendor and the Vendor Guarantor; (ii) the valuation of the Target Company as at 29 February 2016 and the fair value of 100% interest in the Target Company is approximately RMB348,000,000 as at 29 February 2016 according to a valuation report applying market approach, issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer; (iii) the existing sales agreements on hand of the Target Group; (iv) the competitive strengths of the Target Group in particular the network of clients of the existing management of the Target Group; and (v) the business prospect of the Target Group, in particular the concepts under the Internet Plus Strategy and Smart City Development in the PRC.

Conditions Precedent

Completion of the Sale and Purchase Agreement shall be conditional upon, inter alia:

- (i) the Company having obtained all necessary consents and approvals from the relevant authorities (including but not limited to the Stock Exchange) and the shareholders of the Company in relation to the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (ii) the Purchaser, in its absolute discretion, being satisfied with the results of the due diligence review on, the financial, legal, commerce, trade, asset, corporation, taxation, operation and other conditions of each member of the Target Group;
- (iii) the registered capital of each member of the Target Group having been fully paid up and the contributed capital not having been repatriated illegally;
- (iv) there being no change in the principal business of the Target Group;
- (v) there being no promulgation, announcement, publication or enforcement of any law, judgment, decree or injunction by any government authorities before Completion which could (a) restrict or prohibit the signing of the Sale and Purchase Agreement or Completion; or (b) adversely affect, in any material aspects, the Purchaser in exercising its right or power entirely pursuant to its equity interests in the Target Company or as stipulated under the Sale and Purchase Agreement;
- (vi) no material adverse change in the financial condition, commerce, trade, asset, corporation, taxation, operation or other conditions the Target Group has occurred since the date of the Sale and Purchase Agreement to the date of Completion;
- (vii) there being no pending or potential litigation, arbitration or other legal proceedings from any third parties (including any government authorities) which would otherwise prohibit or restrict the consummation of the transaction contemplated under the Sale and Purchase Agreement;

- (viii) the Purchaser having obtained a disclosure letter issued by the Vendor Guarantor in the form and context as agreed by the Purchaser on or before the date of Completion; and
- (ix) the warranties in the Sale and Purchase Agreement shall continue to be true, correct and not misleading up to the date of Completion with the same force and effect as if they had been repeated as of the date of Completion and throughout the period between the date of the Sale and Purchase Agreement and the date of Completion.

If any of the conditions set out above is not fulfilled on or before 30 April 2016 (or such later date as agreed between the Purchaser and the Vendor in writing), then the Sale and Purchase Agreement will lapse while each party's rights and obligations already accrued under the Sale and Purchase Agreement will not be affected.

Completion

Completion shall take place on any date falling on or before the third (3rd) business days after all the above conditions precedent have been fulfilled (or such later date as agreed between the Purchaser and the Vendor in writing).

Profit Guarantee

Pursuant to the Sale and Purchase Agreement, each of the Vendor and the Vendor Guarantor undertakes and guarantees to the Purchaser that the aggregate audited consolidated net profit after tax of the Target Group for the 2 years ending 31 December 2017 (the "**Actual Profit**") shall be not less than RMB60,000,000 (the "**Guaranteed Profit**").

In the event that the Actual Profit fails to meet the Guaranteed Profit, the Vendor shall indemnify the Company the amount of the Compensated Amount (as defined below) by way of cash within 5 business days upon receipt of the written notice from the Purchaser.

"Compensated Amount" = $(1 - \text{Actual Profit}/\text{Guaranteed Profit}) \times \text{Consideration}$

For avoidance of doubt, if the Actual Profit exceeds the Guaranteed Profit, the balance of the Consideration shall not be adjusted.

Pursuant to the Sale and Purchase Agreement, the audited reports of the Target Group for the years ending 31 December 2016 and 31 December 2017 shall be completed and presented to the Purchaser within three (3) months after the years ending 31 December 2016 and 31 December 2017 respectively.

INFORMATION ABOUT THE VENDOR

The Vendor is a company incorporated in Anguilla with limited liabilities and is principally engaged in investment holding and is wholly-owned by the Vendor Guarantor. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and the Vendor Guarantor are third parties independent of the Company and its connected persons.

INFORMATION ON THE TARGET COMPANY AND THE PRC CO

The Target Company is a company incorporated in the British Virgin Islands with limited liabilities on 1 January 2016 and is principally engaged in investment holding. The main asset of the Target Company is its indirect interest in the entire equity interest of the PRC Co.

The PRC Co is a company established in the PRC with limited liabilities and its business scope is electronic products, research and development of computer software and hardware, computer network technology development, investment consultation, economic information consultation, corporate management consultation (excluding restricted items), corporate image planning and market strategy planning. Currently, the PRC Co has developed four online service platform solutions in the PRC relating smart campus and management platform system, community and professional training platform system, smart city comprehensive administration services platform system and internet of things logistics management platform system. The PRC Co is a solution provider and does not engage in the actual operation of the relevant platforms at present. The platforms use cloud technology and can be accessed from handheld devices and computers across various operation systems. Its revenue is expected to be generated from the development fee and the provision of maintenance service fee for the online service platform in the PRC.

Leveraging on the business network and experience of the Vendor Guarantor and the concepts under the Internet Plus Strategy and Smart City Development in the PRC, the Vendor Guarantor and the management team jointed force to establish the Target Group with a view to capture the relevant business opportunities. Upon Completion, the Vendor Guarantor will be appointed as an executive director of the PRC Co for a period of not less than three years. The Target Group has entered into agreements with a few customers, including a state-owned enterprise and a listed company in the PRC, for providing the aforementioned platform systems.

Financial information of the Target Group

Set out below are certain consolidated financial information of the Target Group for the period from 15 December 2015, being the date of incorporation of the PRC Co up to 29 February 2016:

	For the period from 15 December 2015 to 29 February 2016
	<i>Unaudited RMB'000</i>
Revenue	–
Loss before taxation	23
Net loss after taxation	23
	As at 29 February 2016
	<i>Unaudited RMB'000</i>
Total assets	5,929
Net liabilities	23

The Target Company will become a direct wholly-owned subsidiary of the Company upon Completion, and its assets and liabilities and its profits and losses will be consolidated into the consolidated financial statements of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

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

As disclosed in the interim report of the Group for the six months ended 30 June 2015, the Directors would keep on seeking for the right opportunities for business restructuring and industrial upgrade to improve the overall sustainable profitability. The Directors consider that the Acquisition would enable the Group to diversify its business into the provision of online service platform solutions in the PRC through direct investment in and hands-on management and operation of the Target Group. If the Acquisition is completed, the Group is expected to take advantage of the future exponential growth by diversifying its business into the Internet services sector and to broaden the Group's revenue base. Also, as the terms of the Sale and Purchase Agreement were determined after arm's length negotiations between the parties thereto, the Directors are of the view that the terms of the Sale and Purchase Agreement (including the basis of Consideration) are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Directors considered that the Acquisition will not cause any material adverse impact to the business, operations and financial position of 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 Acquisition exceed 5% but are below 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

“Acquisition”	the acquisition of the Sale Shares, representing the entire interest in the Target Company, by the Company from the Vendor pursuant to the Sale and Purchase Agreement
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“Company” or “Purchaser”	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 Acquisition
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	the consideration payable by the Company to the Vendor for the Acquisition which will be HK\$400,000,000
“Director(s)”	director(s) of the Company
“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
“MOU”	the memorandum of understanding dated 8 March 2016 entered into between the Company and Huazhong Investment (Hong Kong) Co., Limited, a wholly-owned subsidiary of the Target Company, in relation to the proposed acquisition of 100% equity interest in the PRC Co by the Company

“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“PRC Co”	華眾科技(深圳)有限公司, a company established in the PRC and is an indirect wholly-owned subsidiary of the Target Company as at the date of this announcement
“RMB”	Renminbi, the lawful currency in the PRC
“Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 24 March 2016 entered into among the Company, the Vendor and the Vendor Guarantor in relation to the sale and purchase of the Sale Shares
“Sale Shares”	10,000 shares, being the entire issued share capital of the Target Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Yao Neng Developments Limited
“Target Group”	The Target Company and its subsidiaries
“Vendor”	Sina Trade Limited
“Vendor Guarantor”	Mr. Mao Hai Tao (毛海濤)
“%”	per cent.

By order of the Board
HL Technology Group Limited
Chan Sek Keung, Ringo
Chairman

Hong Kong, 24 March 2016

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. Chan Sek Keung, Ringo (Chairman) and Mr. Wong Kui Shing, Danny and the independent non-executive Directors are Mr. Thomas Tam, Mr. Pao Ping Wing, Mr. Qu Wen Zhou, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai.