

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in HL Technology Group Limited (the “**Company**”), you should at once hand this circular accompanying with the form of proxy to the purchaser or transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities mentioned herein.



## **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) SUBSCRIPTION OF SHARES AND OPTIONS UNDER SPECIFIC MANDATE (2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

A letter from the Board is set out on pages 4 to 16 of this circular. A notice convening the EGM to be held at Conference Room 4, Renaissance Beijing Wangfujing Hotel, No. 57 Wangfujing Street, Dongcheng District, Beijing, the People’s Republic of China on Wednesday, 6 July 2016 at 11:00 a.m. (or any adjournment thereof) is set out on pages 23 to 25 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

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## DEFINITIONS

*In this circular, the following expressions have the following meanings, unless the context otherwise requires:*

“Board”	the board of Directors
“Business Day”	any day (excluding Saturdays, Sundays, public holidays and days on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which licensed banks generally are open for general banking business in Hong Kong
“Company”	HL Technology Group Limited, a company incorporated in the Cayman Islands with limited liability and the Shares are listed on the Main Board of the Stock Exchange (Stock Code: 1087)
“Completion”	completion of the Subscription
“Conversion Shares”	up to 117,000,000 Shares to be allotted and issued upon exercise of the subscription rights attaching to the Options
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Wednesday, 6 July 2016 at 11:00 a.m. (or any adjournment thereof) for the purpose of considering, and if thought fit approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Options and the grant of the Specific Mandate
“Exercise Price”	the exercise price of HK\$1.90 per Conversion Share at which holder of the Options may subscribe for the Conversion Shares
“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 People’s Republic of China

## DEFINITIONS

“Independent Third Party(ies)”	individual, professional or institutional investors and are independent of and not acting in concert (as defined in the Takeovers Code) with or connected with each other, the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or an associate of any of them or any other shareholders of the Company
“Issue Price”	HK\$1.55 per Subscription Share
“Last Trading Day”	19 May 2016, being the last trading day on which the Shares were traded on the Stock Exchange immediately prior to the entering into of the Subscription Agreement
“Latest Practicable Date”	17 June 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option(s)”	an aggregate of 117,000,000 options to be issued by the Company at the Subscription Price, each entitles the holder thereof to subscribe for one Conversion Share at the Exercise Price at any time during a period of 12 months from the date of the issue of the options to the expiry of the options
“Options Subscription”	the subscription of the Options
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Acquisition”	The acquisition of the 75% interest in Fortune Grace Management Limited, details of which were set out in the announcement of the Company dated 6 November 2015 and 13 November 2015
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

## DEFINITIONS

“Share(s)”	share(s) of USD0.02 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares(s)
“Shares Subscription”	the subscription of the Subscription Shares
“Specific Mandate”	the mandate to be sought in the EGM for the allotment and issue of the Subscription Shares and the Conversion Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Sinotak Limited, a company incorporated in the British Virgin Islands and the subscriber to the Subscription Agreement, an Independent Third Party
“Subscription”	the Shares Subscription and the Options Subscription
“Subscription Agreement”	the subscription agreement dated 20 May 2016 entered into between the Company and the Subscriber in relation to the Subscription (as amended and supplemented by the Supplemental Agreement)
“Subscription Price”	HK\$0.20 per Option to be issued
“Subscription Shares”	an aggregate of 39,000,000 new Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“Supplemental Agreement”	the supplemental agreement dated 27 May 2016 entered into between the Company and the Subscriber to amend certain terms of the Subscription Agreement
“USD”	the United States dollars, the lawful currency of the United States of America
“%”	per cent.

*This circular has been printed in English and Chinese. In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.*

*For the purposes of illustration only, any amount denominated in RMB in this circular are translated into HK\$ at the rate of RMB1.0 = HK\$1.2. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*

## LETTER FROM THE BOARD



### 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)**

*Executive Directors:*

Mr. WU Chi Luen (*Chief Executive Officer*)  
Mr. LU Chengye (*Vice Chief Executive Officer*)  
Ms. WANG Fang (*Vice Chief Executive Officer*)

*Non-executive Directors:*

Mr. CHAN Sek Keung, Ringo (*Chairman*)  
Mr. WONG Kui Shing

*Independent Non-executive Directors:*

Mr. QU Wen Zhou  
Mr. LU, Brian Yong Chen  
Mr. HUANG Liangkuai

*Registered Office:*

Floor 4, Willow House,  
Cricket Square, P.O. Box 2804,  
Grand Cayman KY1-1112,  
Cayman Islands

*Principal Place of Business  
in Hong Kong:*

33rd Floor  
Shui On Centre  
6–8 Harbour Road  
Wanchai  
Hong Kong

20 June 2016

*To the Shareholders,*

Dear Sir or Madam,

### **SUBSCRIPTION OF SHARES AND OPTIONS UNDER SPECIFIC MANDATE**

#### **INTRODUCTION**

Reference is made to the announcements of the Company dated 20 May 2016 and 27 May 2016, in relation to, among other things, the Subscription.

On 20 May 2016 (after trading hours), the Company entered into the Subscription Agreement (as amended by the Supplemental Agreement on 27 May 2016) with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to (i) allot and issue an aggregate of 39,000,000 new Subscription Shares at the Issue Price; and (ii) issue an aggregate of 117,000,000 Options at the Subscription Price.

\* *for identification purpose only*

## LETTER FROM THE BOARD

The Options entitle the Subscriber to subscribe for an aggregate of 117,000,000 Conversion Shares at the Exercise Price for a period of 12 months from date of issue of the Options to the expiry of the Options. The Subscription Shares and the Conversion Shares will be allotted and issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

The purpose of this circular is to provide you with, among other things, (i) further details on the terms of the Subscription Agreement; (ii) details of the allotment and issue of the Subscription Shares and the Conversion Shares under the Specific Mandate; and (iii) a notice convening the EGM.

### THE SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement (as amended by the Supplemental Agreement) are as follows:

**Date:** 20 May 2016

**Parties**

(i) Issuer:	The Company
(ii) Subscriber:	Sinotak Limited, as subscriber of the Subscription Shares, the Options and the Conversion Shares

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Subscriber and its ultimate beneficial owners are Independent Third Parties.

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to (i) allot and issue an aggregate of 39,000,000 new Subscription Shares at the Issue Price; and (ii) issue an aggregate of 117,000,000 Options at the Subscription Price. The Options entitle the Subscriber to subscribe for an aggregate of 117,000,000 Conversion Shares at the Exercise Price for a period of 12 months from date of issue of the Options and the expiry of the Options.

The 39,000,000 Subscription Shares represent (i) 5.0% of the existing issued share capital of the Company of 780,000,000 Shares as at the Latest Practicable Date; and (ii) approximately 4.8% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. Assuming full exercise of the Options, a total of 117,000,000 Conversion Shares will be allotted and issued, representing (i) 15.0% of the existing issued share capital of the Company of 780,000,000 Shares as at the Latest Practicable Date; (ii) approximately 13.0% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares; and (iii) approximately 12.5% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares and the Subscription Shares.

## LETTER FROM THE BOARD

### Principal terms of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank *pari passu* in all respects among themselves free from all liens, charges, guarantee, adverse interests and adverse claims, and with the Shares in issue on the date of allotment and issue of the Subscription Shares including all dividends declared or payable or distributions made or proposed on or after the date of execution of the Subscription Agreement.

The aggregate nominal value of 39,000,000 Subscription Shares will be USD780,000.

### Issue Price

The Issue Price of HK\$1.55 per Subscription Share represents:

- (i) a discount of approximately 12.92% to the closing price of HK\$1.78 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a discount of approximately 17.73% to the average closing price of HK\$1.884 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 2.65% over the audited consolidated net asset attributable to the owners of the parent of approximately HK\$1.51 per Share as at 31 December 2015, the date to which the latest audited financial statements of the Group were made up; and
- (iv) a premium of approximately 1.31% over the closing price of HK\$1.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Issue Price was negotiated on an arm's length basis between the Subscriber and the Company and was arrived at after having considered the then recent market price of the Shares. Based on the estimated expenses for the Subscription, the net Issue Price for the Subscription is approximately HK\$1.54 per Subscription Share.

### Principal terms of the Options

Number of Options: an aggregate of 117,000,000 Options to be issued by the Company at the Subscription Price, each Option carries the right to subscribe for one (1) Conversion Share at the Exercise Price.



## LETTER FROM THE BOARD

**Subscription Price:** HK\$0.20 per Option. The fair value of each Option is valued at HK\$0.278 with the use of Binomial Model as at 20 May 2016 by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer.

**Exercise Price:** HK\$1.90 per Option. The Exercise Price of HK\$1.90 was determined after arm's length negotiations between the Company and Subscriber, having considered the market condition, the recent share price performance of the Share and liquidity of the Shares.

The Exercise Price represents:

- (i) a premium of approximately 6.74% over the closing price of HK\$1.78 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a premium of approximately 0.85% over the average closing price of HK\$1.884 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 25.83% over the audited consolidated net asset attributable to the owners of the parent of approximately HK\$1.51 per Share as at 31 December 2015, the date to which the latest audited financial statements of the Group were made up; and
- (iv) a premium of approximately 24.18% over the closing price of HK\$1.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

## LETTER FROM THE BOARD

The aggregate of Subscription Price and the Exercise Price represents:

- (i) a premium of approximately 17.98% over the closing price of HK\$1.78 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a premium of approximately 11.46% over the average closing price of HK\$1.884 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;
- (iii) a premium of approximately 39.07% over the audited consolidated net asset attributable to the owners of the parent of approximately HK\$1.51 per Share as at 31 December 2015, the date to which the latest audited financial statements of the Group were made up; and
- (iv) a premium of approximately 37.25% over the closing price of HK\$1.53 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Status: The Options will rank *pari passu* in all respects among themselves.

Form: The Options will be issued upon completion in registered form. Definitive certificates will be issued to the Subscriber.

Exercise Period: The Options may be exercised at any time from the date of issue of the Options until 4:00 p.m. (Hong Kong time) 12 months of the issue date (or, if that is not a Business Day, the first Business Day immediately following such date) (both dates inclusive), subject to earlier termination as provided in the instrument of the Options.

## LETTER FROM THE BOARD

- Exercise Restriction:** The Subscriber is required to exercise all outstanding Options within 5 business days from the day that the 30-day average closing price of the Shares record at a level above HK\$2.40 during 12 months from the date of issue of the Options.
- Rights of the Conversion Shares:** The Conversion Shares that fall to be issued upon the exercise of the rights attached to the Options will rank *pari passu* in all respects with the Shares in issue on the relevant date of registration of the name of the relevant holder(s) of the Options on the register of members of the Company as holder of such Conversion Shares.
- Transferability:** The Options are transferable, in integral multiples of 1,000,000 Options or, subject to the agreement by the Company, in such other denomination. Any transfer of the Options to any connected person of the Company shall be subject to the requirements that the Stock Exchange may impose from time to time.
- Rights of Options:** The holders of the Options will not have any right to attend or vote at any meeting of the Company by virtue of them being the holders of the Options. The holders of the Options shall not have the right to participate in any distributions and/or offers of further securities made by the Company.

### **Conditions precedent for the Shares Subscription**

Completion of the Shares Subscription is conditional upon fulfillment of the following conditions:

- (a) approval by the Stock Exchange of the listing of and permission to deal in the Subscription Shares;
- (b) the Stock Exchange shall have approved the Shares Subscription either unconditionally or subject to conditions and the satisfaction of such conditions (if required);
- (c) all necessary corporate approvals and consents and third party consents, if necessary, for the transactions contemplated under the Subscription Agreement being obtained on or before Completion; and

## LETTER FROM THE BOARD

- (d) the passing of resolution(s) by the Shareholders at the general meeting approving the Subscription Agreement and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

In the event that any of the conditions above has not been satisfied on or before 10 Business Days from the date the Company having obtained the Specific Mandate, the rights and obligations of the parties hereto shall cease and determine and thereafter none of the parties shall have any claim against the other save and except in respect of any then accrued rights and liabilities of the parties.

### **Conditions precedent for the Options Subscription**

- (a) approval by the Stock Exchange of the listing of and permission to deal in the Conversion Shares;
- (b) the Stock Exchange shall have approved the issue of the Options either unconditionally or subject to conditions and the satisfaction of such conditions (if required);
- (c) all necessary corporate approvals and consents and third party consents, if necessary, for the transactions contemplated under the Subscription Agreement being obtained on or before Completion; and
- (d) the passing of resolution(s) by the Shareholders at the general meeting approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Options and the grant of the Specific Mandate for the allotment and issue of the Conversion Shares.

In the event that any of the conditions above has not been satisfied on or before 10 Business Days from the date the Company having obtained the Specific Mandate, the rights and obligations of the parties hereto shall cease and determine and thereafter none of the parties shall have any claim against the other save and except in respect of any then accrued rights and liabilities of the parties.

For the avoidance of doubts, the Shares Subscription and the Options Subscription are inter-conditional.

### **Completion of the Shares Subscription**

Completion of the Shares Subscription shall take place within 5 Business Days (or such later date as may be agreed by all the parties hereto in writing) following the satisfaction of all the conditions precedent of the Shares subscription, which shall be no later than 10 Business Days from the date the Company having obtained the Specific Mandate.

## LETTER FROM THE BOARD

### Completion of the Options Subscription

Completion of the Options Subscription shall take place within 5 Business days (or such later date as may be agreed by all the parties hereto in writing) following the satisfaction of all the conditions precedent of the Options Subscription, which shall be no later than 10 Business Days from the date the Company having obtained the Specific Mandate.

### Specific Mandate

The Subscription Shares and the Conversion Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

### Application for Listing

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Subscription Shares and the Conversion Shares.

### INFORMATION ON THE SUBSCRIBER

Sinotak Limited is an investment holding company incorporated in the British Virgin Islands, which is wholly-owned by Mr. Zhang Wei (“**Mr. Zhang**”). Sinotak Limited was one of the cornerstone investors upon the listing of Bank of Tianjin (stock code: 1578.HK).

Mr. Zhang had 15 years of experience in the operation of technology enterprises. Currently, he has engaged in financial investment business for 10 years. He was the cooperative partner of several large-scale technology enterprises, including Huawei Technologies Co., Ltd, ZTE Corporation and Lenovo Group. He has a well-established foundation of business relationships with the three largest PRC telecommunication operators.

Mr. Zhang, the sole and beneficial owner of Sinotak Limited, is the founder and the controlling shareholder of China Create Finance Holdings Group Co., Ltd. (“**China Create**”), a consolidated financial services provider which is positioned to have a wide corporate and individual investor database and the extensive business experience and network in the finance and capital market. As at 31 December 2014, the audited consolidated net asset value of China Create was approximately RMB543 million. Mr. Zhang has served as members of various municipal committees and associations in the past years. He is a chairman of the Sixteenth Hong Kong Industrial & Commercial Association Limited in 2015. He was a Standing Committee Member of the Fifth People’s Congress of Shenzhen Municipality, a member of the Shenzhen Municipal People’s Congress Economic Working Committee, a supervisor of Shenzhen Intermediate People’s Court of Justice, and the founding president of Shenzhen Entrepreneur of SME Association in 2010, the first honorary vice chairman of the Shenzhen Innovation Corporate Social Responsibility Development Center, the vice-chairman Shenzhen Industrial and Business Association (General Chamber of Commerce), and the vice-chairman of the Shenzhen International Chamber of Commerce in Investment and Finance Committee in 2012. Mr. Zhang was awarded 第四屆“深商十大風雲人物” (the Fourth “Top 10 Celebrity in

## LETTER FROM THE BOARD

Shenzhen Commerce”)\* and 2008 年度深港投資十大人物 (“2008 Top 10 Celebrity in Shenzhen and Hong Kong Investment”)\*. Mr. Zhang has extensive business experience and knowledge in finance and capital markets, as well as in the Internet industry.

The Company has enquired and obtained fund proofs from the Subscriber, which include an investment portfolio of stock of market value of around HK\$800 million as at 30 April 2016. Accordingly, the Board considers the Subscriber has the financial ability to settle the Exercise Price upon exercise of the Options.

Saved for the Subscription Agreement, the Company did not enter, or contemplate to enter, into any other arrangements, agreements or understanding with the Subscriber and/or its associated parties.

As advised by the Company, the Directors were not aware of any potential deals or information about the Company possessed by the Subscriber which might crystallize over the exercise period of the Options. However, the Company is unable to rule out all possibilities of conducting acquisition or disposal activities, or other transactions during the exercise period of the Options should such opportunities arise in future and the Board holds the view that such activities are in the best interest of the Group and the Shareholders as a whole.

### REASONS FOR THE SUBSCRIPTION AND THE USE OF PROCEEDS

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

In view that China Create is a comprehensive financial services provider in the PRC which is positioned to have a wide corporate and individual investor database and the extensive business experience and network in the finance and capital market, the Company is of the view that the Subscriber, through having a common controlling shareholder with China Create, is able to access the top management of large-scale technology enterprises and the largest PRC telecommunication operators and leverage on a wide connections in the capital market.

Also, taking into account that the Group is planning to develop business relating to the concepts of Internet Plus Software Platform Strategy and Smart City Development in the PRC, the Group wishes to leverage on the business network and connection of the Subscriber to seek for business opportunities from those large-scale technology enterprises in the PRC and aims to access a wider investor community. In addition, the Group intends to pursue in financial leasing business in the PRC through a wholly-owned subsidiary in the PRC (the “**Finance Lease Subsidiary**”). Currently, the Group is recruiting relevant experienced staff and management personnel for the initial set up of the Finance Lease Subsidiary in the second half of 2016. The Finance Lease Subsidiary is incorporated in the PRC with limited liability and its registered

\* *for identification purpose only*

## LETTER FROM THE BOARD

capital is RMB5 million. The Group intends to commence the operation of the finance lease business in the financial year 2017.

Pursuant to the Subscription Agreement, which the Shares Subscription and the Options Subscription are inter-conditional with each other and the Shares Subscription and the Options Subscription are part and parcel, the Company will be able to receive HK\$83,850,000 upon Completion (before exercise of any Options). It is expected that the net proceeds from the Shares Subscription (after deducting the relevant expenses) will amount to approximately HK\$60.2 million. The net proceeds from the Options Subscription (after deducting the relevant expenses) will amount to approximately HK\$23.4 million. Assuming full exercise of the Options, it is expected that the Company will further raise net proceeds of approximately HK\$222.3 million upon exercise of the Options by the Subscriber.

Accordingly, having considered the expected timing of receipt of the net proceeds from the Shares Subscription, the Options Subscription and the exercise of the Options, in respect of the net proceeds of approximately HK\$83.6 million from the Subscription, the Company intends to apply (i) as to approximately HK\$60 million for part of the settlement of the balance payment of the Previous Acquisition; (ii) as to approximately HK\$4.6 million for the first stage expansion of the research and development department and the sales department of the Previous Acquisition (the “**Expansion Plan**”) by increasing the number of headcount in the PRC; (iii) as to approximately HK\$9 million for the initial set up costs of the financial leasing business which includes the payment of RMB5 million for the registered capital of the Finance Lease Subsidiary and approximately HK\$3 million for the recruitment of new staff in the PRC specializing in the financial leasing business; and (iv) as to approximately HK\$10 million for the working capital and other potential investments of the Group.

Upon exercise of the Options, the Company intends to apply the net proceeds of approximately HK\$222.3 million (i) as to approximately HK\$19.3 million for the second stage of the Expansion Plan by further increasing the headcount of the relevant departments in the PRC; (ii) as to approximately HK\$120 million to further enhance of the capital of the Finance Lease Subsidiary thereby increasing the scale of the finance lease business; and (iii) as to approximately HK\$45 million as the working capital and as to approximately HK\$38 million for other potential investment of the Group including the investment in the Smart City Development in the PRC.

Although the initial proceeds from the Options Subscription is relatively small as compared to the proceeds from the exercise of the Options, the Board considers such monetary sum is in fact a significant sum. Also, the terms of the Subscription were finalized and agreed after arm’s length negotiation. Based on its current capital requirements, cash resources on hand and existing investment opportunities, the Company considered that the expected amount to be raised by the Subscription (before exercise of the Options) is sufficient to meet with its current liquidity needs and there is no imminent need for the Company to obtain a large amount of cash. However, in view of the prevailing market sentiment and the outlook for the economy in general, the Company considers that the Subscription would enable the Company to secure a new source of fund when the capital market and economy recover.

## **LETTER FROM THE BOARD**

The Board has considered other alternatives for raising funds such as debt financing, rights issue, placing of Shares and issuance of convertible bonds. In view that (i) debt financing or bank loans would result in high interest burden and high gearing ratio; (ii) debt financing or bank loans may require asset pledged as security where the Company does not have high level fixed assets to be provided as security; (iii) rights issue or open offer is required to be fully underwritten but the Company has been unable to secure underwriter; (iv) issuance of convertible bonds may result in high interest burden and high gearing ratio, the Board resolved to raise fund by way of placing or subscription of shares under specific mandate.

As at the Latest Practicable Date, the Directors are not aware of any contemplated acquisitions, disposals or other matters that may have a material impact on the Company.

The Directors consider that the terms of Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and its Shareholders as a whole.

### **FUND RAISING DURING THE PAST TWELVE MONTHS**

The Company has not conducted any equity fund raising activity during the past twelve (12) months immediately preceding the Latest Practicable Date.



## LETTER FROM THE BOARD

### EFFECT ON SHAREHOLDING OF THE SUBSCRIPTION

The shareholding structure of the Company before and after Completion, are as follows:

	As at the Latest Practicable Date		Immediately after Completion (Note 4)		After Completion and upon full exercise of the Options	
	<i>Approximate</i>		<i>Approximate</i>		<i>Approximate</i>	
	<i>No. of Shares</i>	<i>per cent.</i>	<i>No. of Shares</i>	<i>per cent.</i>	<i>No. of Shares</i>	<i>per cent.</i>
Smoothly Global Holdings Limited (Note 1)	110,000,000	14.10	110,000,000	13.43	110,000,000	11.75
Asia Venture Holdings Corporation (Note 2)	97,000,839	12.44	97,000,839	11.84	97,000,839	10.36
Castle Gate Ventures Limited (Note 3)	90,000,000	11.54	90,000,000	10.99	90,000,000	9.62
Subscriber	–	–	39,000,000	4.76	156,000,000	16.67
Public Shareholders	482,999,161	61.92	482,999,161	58.98	482,999,161	51.60
<b>Total</b>	<b>780,000,000</b>	<b>100.00</b>	<b>819,000,000</b>	<b>100.00</b>	<b>936,000,000</b>	<b>100.00</b>

*Notes:*

- These 110,000,000 Shares are held by Smoothly Global Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and is 70% and 20% owned by Mr. Chan Sek Keung, Ringo and Ms. Wang Fang respectively.
- These 97,000,839 Shares are held by Asia Venture Holdings Corporation, a company incorporated in the British West Indies with limited liability and is wholly-owned by Mr. Liu Dafan.
- Castle Gate Ventures Limited, which entire issued share capital was owned by Mr. Cheng Wen, held 11.5% interest in the Company. Mr. Cheng Wen serves as the sole director of Castle Gate Ventures Limited.
- Assuming no other issue of new Shares and no repurchase of existing Shares before Completion apart from the Subscription Shares and before exercise of the Options.

### EGM

The EGM will be convened and held at Conference Room 4, Renaissance Beijing Wangfujing Hotel, No. 57 Wangfujing Street, Dongcheng District, Beijing, PRC, on Wednesday, 6 July 2016 at 11:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, including the issue of the Options and the grant of the Specific Mandate.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM.

## LETTER FROM THE BOARD

A notice convening the EGM is set out on pages 23 to 25 of this circular. A form of proxy for use at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

**Shareholders and potential investors of the Company should note that the Completion is subject to fulfillment of the conditions precedent to the Shares Subscription and the conditions precedent to the Options Subscription. As the Subscription may or may not proceed, Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.**

### RECOMMENDATION

Having noted and considered the reasons stated under the section captioned "REASONS FOR THE SUBSCRIPTION AND THE USE OF PROCEEDS", the Board considered that the terms of (i) the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares, the Options and the Conversion Shares and (ii) the Specific Mandate are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the relevant resolutions to approve (i) the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares, the Options and the Conversion Shares and (ii) the Specific Mandate and the transactions contemplated thereunder.

### VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

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



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited  
6/F Three Pacific Place 1 Queen's Road East Hong Kong  
tel +852 2846 5000 fax +852 2169 6001  
Licence No.: C-030171

20 June 2016

The Board of Directors  
HL Technology Group Limited

33rd Floor, Shui On Centre  
6-8 harbour Road  
Wanchai  
Hong Kong

Dear Sirs,

In accordance with the instructions received by HL Technology Group Limited (“HL Tech” or the “Company”), we have undertaken a valuation exercise to express an independent opinion on the market value of the options (the “Options”) to be issued by the Company as if it were issued on 20 May 2016 (the “Valuation Date” and will be defined in the report). The report which follows is dated 20 June 2016 (the “Report Date”).

The purpose of this valuation is to express an independent opinion on the market value of the options to the Company for public disclosure purpose.

Our valuation was carried out on a market value basis. Market value is defined as “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

## BACKGROUND

According to our discussion with the Company, we are given to understand that HL Tech is going to issue some options with the following terms.

Parameter	Term
Number of options	117,000,000
Term to maturity (year)	1.00
Exercise price	HK\$1.90 per option

<b>Parameter</b>	<b>Term</b>
Exercisable Period	For a period of 12 months commencing from the date of issue of the Options
Mandatory exercise price	HK\$2.40

Mandatory exercise price refers to the terms that when the Company's 30-day average closing stock price reach above HK\$2.40, the Options holder will have to decide whether the Options shall be exercised or the Options will be lapsed.

For valuation sake and agreed with the Company, it is assumed that the Option would have been issued on 20 May 2016. Valuation parameters adopted are thus based on 20 May 2016.

## **APPROACH AND METHODOLOGY**

In carrying out this valuation exercise, we have considered the key features and economic properties of the Options.

An option is a financial instrument that gives the owner the right to buy or sell a specified number of shares of a specified company at a specified price within a specified period of time. A call option allows the buyer to purchase the underlying asset on or at any time up to the expiration date of the contract. A put option allows the buyer to sell the underlying asset on or at any time up to the expiration date of the contract.

Given the Options are not traded in the market and we have not identified any comparable instruments in the market, we have adopted an option pricing model to derive the market value of the Options. We have considered the following option pricing models in deriving the market value of the Options:

### **The Black-Scholes Option Pricing Model**

In a paper published in 1973, "The Pricing of Options and Corporate Liabilities", Fischer Black and Myron Scholes published an option valuation formula that today is known as the Black-Scholes Model. It has become the standard method for pricing European options (options that can be exercised on the maturity date only).

The Black-Scholes Model is a mathematical formula used to calculate the theoretical value of a European-style option (ignoring dividends paid during the life of the option) using the five key determinants: share price, strike price, expected volatility, time to expiration, and short-term (risk free) interest rate.

### **The Binomial Model**

The binomial option pricing model (or Binomial Model) is a flexible, intuitive and popular approach to price options. It is based on the simplification that over a single period of a very short duration, the underlying asset can only move from its original price to an upper and lower level with defined probability. By increasing the number of periods, a binomial lattice/tree can be developed. This binomial tree represents the possible paths that the future price of the underlying asset can take within the periods.

The Binomial Model utilizes the binomial lattice of the underlying asset by incorporating in the terms and structures of the option. Since the binomial tree provides the possible future prices for each period in time as well as the respective probability, value of the option on the underlying asset in addition to whether the mandatory exercise of the option will be triggered can then be determined for each point in time.

### **Monte Carlo Simulation**

Monte Carlo simulation is a widely used tool for estimating derivative security prices when there is no closed-form solution. It was first introduced by Boyle (1977) to price options. Monte Carlo method is especially useful when one deals with path dependent asset prices and/or option payoffs. The price of a derivative contract in an arbitrage-free economy can be expressed as a discounted expected value of its random payoffs. Monte Carlo simulation is hence a natural tool for approximating this expectation by the sample average. The commonly used Monte Carlo simulation procedure for option pricing can be briefly described as follows: first, simulate sample paths for the underlying asset price; secondly, compute its corresponding option payoff for each sample path; and finally, average the simulated payoffs and discount the averages to determine the Monte Carlo price of an option.

### **SELECTION OF VALUATION METHODOLOGY**

We have compared the appropriateness of the above mentioned methods for the valuation of the Options. We are of the opinion that the Binomial Model is more appropriate for calculating the value of the Options as it can take into consideration different terms of options such as the mandatory exercise feature of the Options.

Specifically in each of the time periods (i.e. each of the nodes in the binomial tree), when the possible future prices trigger the mandatory exercise of the Options, the Options will be exercised and payoff would be calculated at that particular node. Otherwise, the Options will be either exercised or held unexercised to the next time period.

**ASSUMPTIONS**

In this exercise, we have used the following parameters as at the Valuation Date to determine the market value of the Options:

**Parameters**

Assumed issuance date	20 May 2016
Term to maturity (year)	1.00
Spot price (HKD)	1.78
Exercise price (HKD)	1.90
Mandatory exercise price (HKD)	2.40
Risk free rate (%)	0.92%
Expected volatility (%)	65.24%
Dividend yield (%)	0.00%

- Spot price – being the closing share price of the Company as at the Valuation Date.
- Exercise price – based on the terms of the respective options.
- Expected volatility – based on The Company’s historical weekly volatility (Source: Bloomberg).
- Risk-free rate – with reference to the Hong Kong 1 year swap rate at the Valuation Date (Source: Bloomberg).
- Dividend yield – with reference to the Company’s historical dividend yield (Source: Bloomberg).

**INFORMATION AND DOCUMENTS**

In forming our opinion of value of the Options, we have considered, reviewed and relied upon the following information:

- (i) Background of the Company;
- (ii) Details and documents relating to the issuance of the Options; and
- (iii) Discussions with the management of the Company concerning the particulars of the Options.

We have analyzed and considered the features of the Options. In our valuation of the Options, we have made the following assumptions:

- In arriving at the value of the Options, we have assumed that the adjustment of the exercise price under the terms of the Options will offset the potential effect on the values of the Options due to future dilutive events of the Company.
- We have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this exercise. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company and their officers, executives and employees.

Our opinion is based upon economic, market, financial and other conditions that can be evaluated as they exist on the Valuation Date and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the respective Valuation Date. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

#### **OPINION OF VALUE**

Based on the results of our investigation and analysis outlined in this report, we are of the opinion that as at the Valuation Date, the market value of the Options is reasonably stated as follows:

<b>Valuation Date</b>	<b>Option per share (HKD)</b>
20 May 2016	0.278

#### **LIMITING CONDITIONS**

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Company over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

Yours faithfully,  
For and on behalf of  
**Jones Lang LaSalle**  
**Corporate Appraisal and Advisory Limited**  
**Simon M.K. Chan**  
*Regional Director*

*Note:* Simon M.K. Chan is a CPA Fellow member of the Hong Kong Institute of Certified Public Accountants, a CPA Fellow member of CPA Australia, a member of the Royal Institution of Chartered Surveyors and a Certified Valuation Analyst, who has extensive experience in valuation and corporate advisory business. He has provided a wide range of valuation services to numerous listed and private companies in different industries, including telecommunication-related companies, in Mainland China and Hong Kong for over 20 years.





**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)**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (the “**Meeting**”) of HL Technology Group Limited (the “**Company**”) will be held at Conference Room 4, Renaissance Beijing Wangfujing Hotel, No. 57 Wangfujing Street, Dongcheng District, Beijing, the People’s Republic of China on Wednesday, 6 July 2016 at 11:00 a.m. (or any adjournment thereof) for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution:

**ORDINARY RESOLUTION**

“**THAT** subject to the fulfilment of the terms and conditions set out in the subscription agreement dated 20 May 2016 (as amended and supplemented by the supplemental agreement dated 27 May 2016) (the “**Subscription Agreement**”) entered into between the Company as issuer and Sinotak Limited (the “**Subscriber**”) as subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to (i) allot and issue an aggregate of 39,000,000 new shares; and (ii) issue an aggregate of 117,000,000 options pursuant to the terms and conditions of the Subscription Agreement:

- (a) the Subscription Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) the allotment and issue of an aggregate of 39,000,000 new ordinary shares of USD0.02 each in the share capital of the Company (the “**Subscription Share(s)**”) credited as fully paid at issue price of HK\$1.55 per Subscription Share be and are hereby approved;
- (c) all the transactions contemplated under the Subscription Agreement in connection with the issue of 117,000,000 options of the Company (the “**Option(s)**”) be and are hereby approved;
- (d) the allotment and issue of up to a maximum number of 117,000,000 new ordinary shares of USD0.02 each in the share capital of the Company (the “**Conversion Share(s)**”) credited as fully paid at exercise price of HK\$1.9 per Conversion Share which may fall to be allotted and issue upon the exercise of the rights attaching to the Options be and are hereby approved;

\* *for identification purpose only*

## NOTICE OF EGM

- (e) the directors (the “**Directors**”) of the Company be and are hereby generally and specifically authorised to allot and issue such number of the Subscription Shares and Conversion Shares (the “**Specific Mandate**”) as may be required to cover the Conversion Shares that may fall to be allotted and issued upon exercise of the option rights attaching to the Options subject to and upon the terms and conditions as set out in the Subscription Agreement. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors by the shareholders of the Company prior to the passing of this resolution;
- (f) any one of the Directors be and are hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated in and for completion of the Subscription Agreement, including the issue of the Subscription Shares, Options and the Conversation Shares and to agree to such variation, amendment or waiver in relation thereto which are, in the opinion of the Directors, in the interest of the Company.”

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

Hong Kong, 20 June 2016

*Principal Place of Business in Hong Kong:*

33rd Floor  
Shui On Centre  
6–8 Harbour Road  
Wanchai  
Hong Kong

*Notes:*

1. A member entitled to attend and vote at the extraordinary general meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.
2. In order to be valid, a form of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of authority, must be deposited at the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the extraordinary general meeting or any adjourned meeting thereof should he so wishes.

## NOTICE OF EGM

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if shareholders so wish.
5. The ordinary resolution set out in this notice of extraordinary general meeting will be put to Shareholders to vote taken by way of a poll.
6. As at the date of this notice, the Board comprises three executive Directors, namely Mr. Wu Chi Luen (Chief Executive Officer), Mr. Lu Chengye and Ms. Wang Fang; two non-executive Directors, namely Mr. Chan Sek Keung, Ringo (Chairman) and Mr. Wong Kui Shing; and three independent non-executive Directors, namely Mr. Qu Wen Zhou, Mr. Lu, Brian Yong Chen and Mr. Huang Liangkuai.