
THE PROPOSED DISPOSAL OF THE COMPANY'S ELASTOMERIC BUSINESS

1. INTRODUCTION

The board of directors ("**Board**") of HLN Technologies Limited ("**Company**") wishes to announce that the Company had on 20 July 2012 entered into a conditional sale and purchase agreement ("**SPA**") with Mr Wa Kok Liang Leslie ("**Purchaser**") for the proposed disposal ("**Proposed Disposal**") by the Company of its entire shareholding interest in its wholly-owned subsidiary HLN Rubber Products Pte. Ltd. ("**HLN Rubber**") and its indirect subsidiaries, HLN (Suzhou) Rubber Products Co., Ltd., PT HLN Batam and HLN Rubber Industries Sdn Bhd (collectively, the "**Elastomeric Group**" or the "**Elastomeric Business**").

The Proposed Disposal will be effected via the disposal of the Company's entire shareholding interests ("**Sale Shares**") in HLN Rubber for a sum of S\$6,500,000, as well as the sale and assignment of a shareholder's loan ("**Shareholder Loan**"), to the Purchaser (or its nominee) for a sum of S\$1,247,641.56. Upon completion of the Proposed Disposal, the companies in the Elastomeric Group will cease to be subsidiaries of the Company.

In this announcement, the Company and its subsidiaries are collectively referred to as the "**Group**".

As each of the relative figures computed under Rules 1006(a), (b), and (c) of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") exceed 20%, the Proposed Disposal is considered a major transaction under Chapter 10 of the Listing Manual. Please see paragraph 2.6.2 below for further details on the computation of the relative figures under Rule 1006 of the Listing Manual. Accordingly, the Proposed Disposal is subject to the approval of the shareholders of the Company ("**Shareholders**") at an extraordinary general meeting ("**EGM**") of the Shareholders to be convened.

As at the date of the SPA and this announcement, the Purchaser is a controlling shareholder of the Company and the Group Chief Operating Officer. Accordingly, the Purchaser is an "interested person" and the Proposed Disposal constitutes an "interested person transaction" under Chapter 9 of the Listing Manual.

2. THE PROPOSED DISPOSAL AS A MAJOR TRANSACTION

2.1 Information on the Elastomeric Group

HLN Rubber is a private company limited by shares incorporated in Singapore on 12 November 1984 and having its registered office at 16 Kallang Place #01-16, Singapore 339156. As at the date of this announcement, HLN Rubber has an issued and paid-up share capital of S\$4,000,000 divided into 4,000,000 ordinary shares, entirely held by the Company. The subsidiaries of HLN Rubber are HLN (Suzhou) Rubber Products Co., Ltd., PT HLN Batam and HLN Rubber Industries Sdn Bhd, all of which are entirely held by HLN Rubber.

The Elastomeric Group is primarily involved in the business of manufacturing and distributing compound rubber and precision molded rubber parts and components for consumer and lifestyle products such as household electrical appliances, consumer electronic devices,

vibration control components and peripheral accessories. Based on the audited accounts of the Elastomeric Group for the financial period ended 31 December 2011, both the net asset value and net tangible asset value of the Elastomeric Group are S\$7,258,607.

2.2 Information on the Purchaser

As at the date of the SPA and this announcement, the Purchaser is the Group Chief Operating Officer and is also a controlling shareholder of the Company with direct holdings of 21,406,720 ordinary shares, representing approximately 14.3% and deemed interests of 4,475,000 ordinary shares, representing approximately 3.0% of the issued share capital in the Company.

2.3 Consideration for the Proposed Disposal

2.3.1 The consideration for the sale and purchase of the Sale Shares shall be the sum of S\$6,500,000 ("**Share Consideration**"). The Share Consideration was arrived at on a willing-buyer and willing-seller basis after arm's length negotiations taking into account a number of factors including, *inter alia*:

- (a) the net asset value of the Elastomeric Group as at 31 December 2011; and
- (b) the market conditions, the future earnings and the prospects of certain assets of the Elastomeric Group.

2.3.2 The consideration for the sale and assignment of the Shareholder Loan shall be the sum of S\$1,247,641.56 ("**Loan Consideration**"), being the outstanding amount of the Shareholder Loan (including principal and accrued interest). The aggregate consideration of the Share Consideration and Loan Consideration is S\$7,747,641.56 ("**Consideration**"), which shall be payable by the Purchaser to the Company as follows:

- (a) the Purchaser shall pay to the Company a deposit of S\$450,000 ("**Deposit**") upon execution of the SPA;
- (b) on Completion, the Deposit shall be applied towards part payment of the Consideration, and in addition the following events shall occur:
 - (i) the Purchaser shall pay to the Company a sum of S\$200,000;
 - (ii) an amount out of the Consideration (to be determined as follows) shall be paid and satisfied by cancelling up to a maximum of Twenty Million (20,000,000) shares in the Company that the Purchaser owns or controls (directly or indirectly) at the agreed share cancellation price of S\$0.21 per share or the price per share based on the volume weighted average prices of the Company's shares traded in the two (2) month period preceding the Completion Date, whichever is higher; and
 - (iii) the Purchaser shall pay the balance Consideration (after deducting the Deposit and the amounts referred to in paragraphs 2.3.2(b)(i) and (ii) above) in 24 equal monthly instalments by delivering 24 post-dated cheques each in equal amounts to the Company.

If the Proposed Disposal is not completed by 7 December 2012 or such other date as the Company and the Purchaser may agree to in writing ("**Long-stop Date**") by reason of any

breach of the Company, the Deposit received by the Company shall be refunded to the Purchaser.

In the event the Proposed Disposal is not completed by the Long-stop Date by reason of any breach by the Purchaser, the Company shall be entitled to forfeit the Deposit as liquidated damages.

Within three (3) months from the date of the SPA, the Purchaser shall confirm in writing to the Company whether the amount referred to in paragraph 2.3.2(b)(ii) or any part thereof shall be paid in cash on Completion, instead of cancelling the relevant number of shares in the Company, in which case the amounts under paragraphs 2.3.2(b)(ii) and 2.3.2(b)(iii) shall be adjusted accordingly and confirmed in writing by the Company to the Purchaser.

2.4 Salient Terms of the SPA

2.4.1 Conditions

The completion of the Proposed Disposal ("**Completion**") is conditional upon the fulfilment (or waiver), of, *inter alia*, the following conditions:

- (a) the receipt by the Company of the approval of the Shareholders in general meeting, the necessary approvals or consents (if required) from the SGX-ST, the relevant banks, financial institutions and other third parties for the sale and transfer of the Sale Shares and/or the Shareholder Loan to the Purchaser; and
- (b) provided that the Purchaser has not notified the Company in writing that it intends to pay the entire amount under paragraph 2.3.2(b)(ii) in cash instead of cancelling shares in the Company according to the terms of the SPA, the receipt by the Company of all necessary approvals, including Shareholders' approval and the court's approval for the Selective Capital Reduction (as defined below).

2.4.2 Completion Date

Completion of the Proposed Disposal shall take place on the date falling three (3) business days after the date on which the conditions in the SPA have been fulfilled or waived (as the case may be) but in any event not later than the Long-stop Date ("**Completion Date**").

2.5 Loss on Proposed Disposal and Use of Proceeds

Based on the latest announced audited financial statements of the Group for the financial year ended 31 December 2011, the net book value of the Elastomeric Group is approximately S\$7,258,607, based on the Company's cost of investment in the Elastomeric Group. The deficit of the carrying value of the Elastomeric Group over the proceeds from the Proposed Disposal is approximately S\$758,607.

The Group is expected to record a net loss on disposal of approximately S\$758,607 from the Proposed Disposal.

The Company intends to use the sale proceeds from the Proposed Disposal for re-investment in other growth areas and the working capital of the Group.

2.6 Financial Effects of the Proposed Disposal

2.6.1 Illustrative effects of the Proposed Disposal on the NTA and EPS of the Group

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For illustrative purposes only, the pro forma financial effects of the Proposed Disposal on the net tangible asset ("**NTA**") per share of the Company ("**Share**") and the earnings per Share ("**EPS**") based on the latest announced audited consolidated financial statements of the Group for FY2011 are as follows:

(A) Effect on NTA per Share

Assuming that the Proposed Disposal had been completed on 31 December 2011, the pro forma financial effects of the Proposed Disposal on the NTA per share of the Group for FY2011 would have been as follows:

	Before the Proposed Disposal	After the Proposed Disposal (assuming no share cancellation)	After the Proposed Disposal (assuming all 20 million shares cancelled)
NTA (S\$)	32,462,000	31,703,393	31,703,393
Number of issued shares excluding treasury shares	150,272,920	150,272,920	130,272,920
NTA per share (cents)	21.6	21.1	24.3

(B) Effect on EPS

Assuming that the Proposed Disposal had been completed on 1 January 2011, being the beginning of the most recently completed financial year, and based on the Group's audited consolidated financial statements for FY2011, the effect on the EPS of the Group for FY2011 would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal (assuming no share cancellation)	After the Proposed Disposal (assuming all 20 million shares cancelled)
Profit attributable to Shareholders (S\$)	1,848,350	1,185,251	1,185,251
Weighted average number of issued shares	149,472,964	149,472,964	129,472,964
EPS (cents)	1.24	0.79	0.92

2.6.2 Relative Figures Computed on the Bases Set Out in Rule 1006 of the Listing Manual

(a)	Rule 1006(a) The net asset value (" NAV ") of the Elastomeric Group of approximately S\$7,258,607 as at 31 December 2011 compared with the Group's NAV of S\$32,462,000 as at 31 December 2011.	22.36%
(b)	Rule 1006(b) The net profits ⁽¹⁾ attributable to the Elastomeric Group of S\$1,152,470 as at 31 December 2011 compared with the Group's net profit ⁽¹⁾ of S\$2,474,064 as at 31 December 2011.	46.58%
(c)	Rule 1006(c) The Share Consideration of S\$6,500,000 compared with the Company's market capitalisation ⁽²⁾ of approximately S\$25,997,215 (based on the weighted average price of the Company's shares on the SGX-ST of S\$0.173 on 19 July 2012).	25.00%
(d)	Rule 1006(d) The number of equity securities issued by the Group as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable (Disposal, not acquisition)

Note(s):

⁽¹⁾ Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.

⁽²⁾ Under Rule 1002(5) of the Listing Manual, the market capitalisation of the Company is determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the date of the SPA.

As each of the relative figures calculated under Rules 1006(a), (b), and (c) of the Listing Manual are more than 20%, the Proposed Disposal is considered a major transaction under Chapter 10 of the Listing Manual, and is therefore subject to Shareholders' approval.

2.7 Rationale for the Proposed Disposal

The Proposed Disposal is in line with the Group's strategy to re-organise its existing business and explore other viable business opportunities that can enhance shareholder value over the long term.

In a previous announcement made on 24 May 2011, the Company has identified property development business as a potential long-term growth direction for the Group. In this regard, the Company will continue to monitor and evaluate the prospects of the property development business and build internal capabilities in tandem with its plans.

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This is the next phase of re-organisation and the Group has decided to dispose its interests in the Elastomeric Group to unlock the value of its assets for re-investment in other growth areas and for working capital.

As at the date of this announcement, the Group's core businesses comprise (i) polymeric business; (ii) elastomeric business; and (iii) commercial property development business.

Taking into account the above, the Board after careful consideration is of the view that the Proposed Disposal is in line with the business transition plan of the Group.

3. THE PROPOSED DISPOSAL AS AN INTERESTED PERSON TRANSACTION

3.1 Interested Person under Chapter 9 of the Listing Manual

The Company is an "entity at risk" while the Purchaser is an "interested person" as defined under Chapter 9 of the Listing Manual as the Purchaser is a controlling shareholder of the Company.

Accordingly, the Proposed Disposal constitutes an "interested person transaction" within the ambit of Chapter 9 of the Listing Manual. Furthermore, as the value of the Share Consideration for the Proposed Disposal represents approximately 20.0% of the Group's latest audited NTA of S\$32,462,000 as at 31 December 2011, Shareholders' approval must be obtained for the Proposed Disposal.

As at the date of this announcement, there are no other interested person transactions entered into by the Group with the Purchaser or any other interested persons for the current financial year ending 31 December 2012.

3.2 Opinion of the Audit Committee and Independent Financial Adviser

Pursuant to Rules 917(4)(a)(ii) and 921(4) of the Listing Manual, the audit committee of the Company comprising three independent directors, Li Anhua, Tang Chi Loong and Lee Jim Teck, Edward ("**Audit Committee**") will obtain an opinion from an independent financial adviser on whether or not the Proposed Disposal is:

- (a) on normal commercial terms; and
- (b) prejudicial to the interests of the Company and its minority Shareholders.

The Company will be appointing an independent financial adviser ("**IFA**") to advise the independent directors on whether the terms of the Proposed Disposal are on normal commercial terms and whether they are prejudicial to the interests of the Company and its minority Shareholders. The Audit Committee will form its views on the Proposed Disposal after taking into account the opinion of the IFA.

4. THE SELECTIVE CAPITAL REDUCTION

Under the terms of the SPA, part of the Consideration may be satisfied by the cancellation of up to 20,000,000 shares in the Company that the Purchaser owns or controls (directly or indirectly) ("**Consideration HLN Shares**").

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The Consideration HLN Shares (if any) shall be subsequently cancelled by the Company through a selective capital reduction ("**Selective Capital Reduction**") effected under Section 78G read with Sections 78H and 78I of the Companies Act, Chapter 50 of Singapore ("**Companies Act**").

For illustrative purposes only, assuming that all 20,000,000 shares in the Company are cancelled, this will constitute an aggregate of 13.3% of the Company's issued and paid-up share capital as at 31 December 2011. Accordingly, the issued ordinary share capital of the Company will be reduced by 20,000,000 shares cancelled, and the resultant ordinary share capital of the Company will amount to 130,272,920 ordinary shares.

For illustrative purposes only, the effects of the Proposed Disposal and the Selective Capital Reduction on the share capital of the Company as at 31 December 2011, assuming that the Proposed Disposal and the Selective Capital Reduction had been effected on 31 December 2011, are summarised below:

4.1 Share Capital

	Number of shares	Amount of Share Capital (S\$)
Before the Proposed Disposal & Selective Capital Reduction	150,272,920	22,403,000
No. of Consideration HLN Shares to be cancelled pursuant to the Selective Capital Reduction (assuming the cancellation price of S\$0.21 per share)	20,000,000	4,200,000
After the Proposed Disposal & the Selective Capital Reduction	130,272,920	18,203,000

4.2 Shareholders' Funds

	Number of shares	Amount of Shareholders' Funds (S\$)
Before the Proposed Disposal & Selective Capital Reduction	150,272,920	32,462,000
No. of Consideration HLN Shares to be cancelled pursuant to the Selective Capital Reduction (assuming the cancellation price of S\$0.21 per share)	20,000,000	4,200,000
After the Proposed Disposal & the Selective Capital Reduction	130,272,920	28,262,000

- 4.3 The Company is of the view that the Proposed Disposal by way of the Selective Capital Reduction to the Purchaser is in the interest of the Company as it will allow the Company to streamline its capital structure. The Selective Capital Reduction is also a more effective means to ensure full payment of the Consideration rather than a potential cash instalment payment scheme over a longer period of time. Additionally, the Selective Capital Reduction will further improve the return on equity, EPS and NTA of the Company.

5. DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS

The Purchaser is a controlling shareholder of the Company and therefore an "interested person" in the Proposed Disposal which is an "interested person transaction" under Chapter 9 of the Listing Manual. As at the date of this announcement, the Purchaser controls 25,881,720 ordinary shares, representing approximately 17.2% of the issued share capital in the Company. In accordance with Rule 919 of the Listing Manual, the Purchaser will, and will procure that his associates will, abstain from voting on their shareholdings in respect of the resolutions relating to the Proposed Disposal at the EGM to be convened unless specific instructions have been given in the proxy instrument on how the Shareholders wish their votes to be cast for such resolutions.

Save as disclosed above and save for their respective shareholdings in the Company, if any, none of the other Directors or controlling Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

6. DETAILS OF ANY SERVICE CONTRACTS

There are no directors proposed to be appointed to the Company in connection with the Proposed Disposal. Accordingly, there is no service contract entered into.

7. EXTRAORDINARY GENERAL MEETING ("EGM") AND CIRCULAR

As set out in paragraph 2.6.2 of this announcement above, the relative figures calculated under each of Rules 1006(a), (b), and (c) of the Listing Manual is more than 20%. Pursuant to Rule 1014 of the Listing Manual, the Company has to obtain Shareholders' approval for the Proposed Disposal. Next, as set out in paragraph 3.1 of this announcement, the value of the Share Consideration for the Proposed Disposal represents approximately 20.0% of the Group's latest audited NTA of S\$32,462,000 as at 31 December 2011. As such, pursuant to Rule 906 of the Listing Manual, Shareholders' approval must be obtained for the Proposed Disposal. Further, as set out in paragraph 4 of this announcement, part of the Consideration for the Proposed Disposal may involve the cancellation of shares in the Company held by the Purchaser. As such, pursuant to Section 78G of the Companies Act, the Company has to obtain Shareholder's approval for the Selective Capital Reduction.

A circular containing further details on the Proposed Disposal and enclosing a notice of EGM in connection therewith will be despatched to the Shareholders in due course.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA will be made available for inspection during normal business hours at the Company's registered office at 74A Tras Street Singapore 079013 for a period of three (3) months commencing from the date of this announcement.

Shareholders and potential investors should note that the Proposed Disposal is subject to the fulfilment of, *inter alia*, the conditions precedent set out above and accordingly should exercise caution when trading in the shares of the Company. Persons who are in doubt as to the action they should take should consult their legal, financial, tax or other professional advisers.

BY ORDER OF THE BOARD

Cheong Weixiong, Jeff
Group Chief Executive Officer
23 July 2012