

HLN TECHNOLOGIES LIMITED
(Incorporated in Singapore)
(Company Registration Number 200402180C)

PROPOSED ACQUISITION AND INCREASE OF INTEREST HELD IN AN EXISTING SUBSIDIARY (THE “PROPOSED ACQUISITION”)

1. Introduction

The Board of Directors of HLN Technologies Limited (the “Company”) wishes to announce that the Company, through its wholly-owned subsidiary, HLN Micron Pte. Ltd. (“HLN Micron”) has on 9 August 2007 executed two share sale agreements (the “Share Sale Agreements”) to acquire 5% and 15% interest from Robert Woodrow Park and Tay Mun Hwa (individually “Robert” and “Tay” respectively and collectively the “Vendors”) respectively, in the share capital of HLN Metal Centre Pte. Ltd. (“HLN Metal”). Upon the completion of the Proposed Acquisition, HLN Micron will increase its interest in HLN Metal from 55% to 75%.

2. Principal Business of HLN Metal

HLN Metal is a company incorporated in Singapore on 6 September 2006. Its principal business is customised material machining and cutting of metal products and components.

3. Consideration

The entire purchase consideration for the Proposed Acquisition (the “Consideration”) will be settled through the issue of new ordinary shares in the capital of the Company (the “Consideration Shares”). An application will be made to the Singapore Exchange Securities Trading Limited (“SGX-ST”) for the listing and quotation of the Consideration Shares on the Official List of the SGX-ST Dealing and Automated Quotation System.

The number of Consideration Shares which was arrived on a willing-buyer and willing-seller basis will be issued to the Vendors in two tranches:

- (i) The first tranche of 138,000 and 414,000 Consideration Shares to be issued to Robert and Tay respectively at an issue price of S\$0.71 per Consideration Share was determined having regard to the unaudited net tangible assets value of HLN Metal as at 30 June 2007, being approximately S\$1.96 million and will be issued to the Vendors on completion.
- (ii) The number of second tranche of Consideration Shares will be determined based on the actual audited consolidated net profit before tax (“NPBT”) of HLN Metal and its subsidiaries (collectively the “HLN Metal Group”) achieved for FY2008, subject to, *inter alia*, FY2008 NPBT of the HLN Metal Group is greater than the FY2007 NPBT.

The formula for determining the number of second tranche of Consideration Shares is as follows:

$$\text{Number of 2}^{\text{nd}} \text{ Tranche of the Consideration Shares} = \frac{\text{Percentage of interest acquired X 2.5 X FY2008 NPBT}}{\text{S\$0.71}}$$

where: (a) The audited accounts of the HLN Metal Group reflecting FY2008 NPBT are prepared according to the applicable operating and financial policies (including policies on

inventory holding, credit control, funding, etc.) of the HLN Group, being HLN and its subsidiaries; and

- (b) All exceptional and extraordinary items not in the ordinary course of business of the HLN Metal Group shall be excluded from calculating the FY2008 NPBT.

The Consideration Shares (if any) will be issued by the Company within thirty (30) days after the issue of audited consolidated accounts of the HLN Metal Group by its auditors or 31 May 2009, whichever is the earlier.

4. Conditions Precedent

The completion of the Proposed Acquisition is conditional upon the fulfilment of, *inter alia*, the following conditions precedent:

- (i) all consents, approvals and authorisations of any third parties (including existing shareholders of HLN Metal waiving their pre-emption rights (if any)), government or regulatory authorities which are necessary or desirable in connection with the transfer of the shares from the Vendors to HLN Micron and the ownership by the HLN Micron of shares having been obtained, and if subject to conditions, on such conditions acceptable to HLN Micron and/or such person(s) as the HLN Micron may direct, prior to the date of completion;
- (ii) the approval-in-principle of the SGX-ST being obtained for the listing and quotation of Consideration Shares upon their issue and allotment and where such approval in-principle is obtained subject to any conditions, such conditions being reasonably acceptable to the Vendors and HLN Micron and if any such condition is required to be fulfilled on or before the completion, the fulfilment of such condition on or before the completion and such approval not being revoked or withdrawn prior to the date of completion;
- (iii) all representations, warranties and undertakings of the Vendors and HLN Micron under the Share Sale Agreements being complied with, and being true, accurate and correct in all respects as at the date of completion, as if repeated at the completion and at all times between the date hereof and the completion;
- (iv) each of the Vendors and HLN Micron having performed all of the covenants and agreements required to be performed or caused to be performed by it under the Share Sale Agreements;
- (v) there has been no change in the shareholding or capital structure of HLN Metal occurring on or before the date of completion;
- (vi) there being no material adverse change (as mutually determined by the Vendors and HLN Micron) in the prospects, operations, assets, business, profits or financial condition of HLN Metal occurring on or before the date of completion; and
- (vii) there being no material breach by the Vendors of the representations, warranties, covenants and indemnities contained in the Share Sale Agreements.

5. Other Key Terms

The Sale and Purchase Agreement set out, *inter alia*, the following key commercial terms of the Proposed Acquisition:

- (a) Each of the Vendors shall undertake not to sell, transfer, dispose of or otherwise deal with his/her entire interest in the total Consideration Shares issued pursuant to paragraphs 3(i) and 3(ii) for a period of six (6) months respectively from the date of issue of the said Consideration Shares, and fifty (50) percent of the total interest in the respective Consideration Shares in the next six (6) months; and
- (b) The completion of the Proposed Acquisition shall be within two (2) weeks after the fulfilment of the conditions precedent.

6. Rationale for the Proposed Acquisition

The rationale for the Proposed Acquisition is as follows:

- (a) to increase the Company's participation in the expansion of metal service centre business through acquiring and owning a higher shareholding interest. Prior to the Proposed Acquisition, the Company owned only 55% of HLN Metal;
- (b) to consolidate the shareholding structure of the Company's subsidiaries so as to facilitate expedient and effective business decision-making; and
- (c) to align the interests of key management personnel with the Company's interests by offering them shares in the Company in consideration for their shareholdings in HLN Metal.

7. Financing

The Consideration for the Proposed Acquisition will be settled through the issue of the Consideration Shares.

8. Financial Effects of the Proposed Acquisition

The table illustrates the financial effects of the Proposed Acquisition on (i) the net assets value per share of the Company and (ii) the earnings per share of the Company based on the audited financial statements of the Group for the financial year ended 31 December 2006:

	Before the Proposed Acquisition (cents)	After the Proposed Acquisition (cents)
Effects of the Proposed Acquisition on the net assets value per share assuming that the Proposed Acquisition has been completed on 31 December 2006	14.52	14.94
Effects of the Proposed Acquisition on the earnings per share assuming that the Proposed Acquisition has been completed on 1 January 2006	2.90	2.85

9. Relative Figures computed based on Rule 1006 of the Listing Manual

1006 (a)	Net Asset Value Test	Not applicable as this transaction is an acquisition and not a disposal of assets.
1006 (b)	Profits Test	Not able to determine as HLN Metal is incorporated on 6 September 2006.
1006 (c)	Consideration Test	Not able to determine as the Consideration is dependent on the FY2008 NPBT of the HLN Metal Group. Based on the management's estimate of the FY2007 NPBT and FY2008 NPBT of the HLN Metal Group, shareholders' approval is not required for the Proposed Acquisition as the Consideration will be less than 20% of the market capitalisation of the Company as at 8 August 2007 (the market day preceding the date the Share Sale Agreements are executed).
1006 (d)	Equity Securities Test	Not able to determine as the total number of Consideration Shares is dependent on the FY2008 NPBT of the HLN Metal Group.

10. Interest of Directors and Controlling Shareholders

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition. None of the Directors or substantial shareholders of the Company is related to the Vendors.

11. Documents for Inspection

A copy of each of the Share Sale Agreements is available for inspection at the Company's registered office at 16 Kallang Place #01-18 Kallang Basin Industrial Estate Singapore 339156 for three months from the date of this Announcement.

BY ORDER OF THE BOARD
Wa Kok Liang
Chief Executive Officer
10 August 2007