

HLN TECHNOLOGIES LIMITED

(Incorporated in Singapore on 26 February 2004)
(Company Registration Number 200402180C)

PROPOSED DISPOSAL OF 99% OF ALL ISSUED ORDINARY SHARES IN THE SHARE CAPITAL OF HLN METAL CENTRE PTE. LTD.

1. INTRODUCTION

The Board of Directors of HLN Technologies Limited (the "**Company**", together with its subsidiaries, the "**Group**") wish to announce that its wholly-owned subsidiary, HLN Micron Pte. Ltd. ("**HLN Micron**", together with the Company, the "**Vendors**"), has today (the "**Signing Date**") agreed to dispose of its 4,207,500 ordinary shares (the "**Sale Shares**") comprising 99% of all issued ordinary shares in the share capital of HLN Metal Centre Pte. Ltd. ("**HLN Metal**") to Soon Lian Holdings Limited (the "**Purchaser**"), a company incorporated in Singapore, pursuant to a sale and purchase agreement (the "**Agreement**") entered into between the Vendors and the Purchaser (the "**Proposed Disposal**").

2. PARTICULARS OF HLN METAL

- 2.1 HLN Metal was incorporated in Singapore on 6 September 2006 and has an issued and paid-up share capital of S\$3,500,000 divided into 4,250,000 ordinary shares, of which the Sale Shares are held by HLN Micron. Each of Wu Wei-Tsung and Zhang Hanbi holds 21,250 ordinary shares in the share capital of HLN Metal.
- 2.2 As at the Signing Date, HLN Metal holds 100% of the equity interest in the following companies incorporated in the Peoples' Republic of China ("**PRC**"):
- (a) HLN Metal (Shenzhen) Co., Ltd. ("**HLN Shenzhen**"); and
 - (b) HLN Metal (Suzhou) Co., Ltd. ("**HLN Suzhou**", together with HLN Shenzhen and HLN Metal, the "**HLN Metal Group**" or the "**Group Companies**").
- 2.3 The HLN Metal Group's primary business is precision machining and sawing of aluminium products.

3. THE PROPOSED DISPOSAL

- 3.1 Pursuant to the Agreement, the Vendors agreed to sell to the Purchaser, and the Purchaser agreed to buy from the Vendors, the Sale Shares.
- 3.2 The completion date of the Proposed Disposal ("**Completion Date**") shall be 28 July 2011 or such other date as the Vendors and the Purchaser may mutually agree in writing. Upon completion of the Proposed Disposal ("**Completion**"), HLN Micron will cease to have any interest in HLN Metal.

4. CONSIDERATION

- 4.1 The total consideration for the Proposed Disposal is S\$2,150,000 (the "**Consideration**").
- 4.2 The Consideration was arrived at after arm's length negotiations between the Vendors and the Purchaser on a willing-buyer and willing-seller basis after taking into account the Group's decision to exit the metal service business completely.
- 4.3 The Consideration shall be satisfied by the Purchaser in the following manner:
- (a) upon the signing of the Agreement, the Purchaser shall pay ten per cent (10%) of the Consideration in cash to HLN Micron;
 - (b) on the Completion Date, the Purchaser shall pay sixty per cent (60%) of the Consideration in cash to HLN Micron; and
 - (c) the Purchaser shall pay the balance thirty per cent (30%) of the Consideration in cash by delivering 6 post-dated cheques of S\$107,500 each to HLN Micron on the Completion Date.
- 4.4 In the event that the consolidated net asset value of the HLN Metal Group as at the Completion Date (the "**Completion NAV**") exceeds S\$3,090,000, the Purchaser shall, in addition to the Consideration, pay a sum amounting to 73% of the difference between the Completion NAV and S\$3,090,000 in cash to HLN Micron within 30 days from the Completion Date.
- 4.5 On Completion Date, HLN Micron and the Purchaser shall enter into a deed of share charge (the "**Share Charge**") pursuant to which the Purchaser shall grant a charge over 30% of the Sale Shares in favour of HLN Micron as security for the performance of all payment obligations of the Purchaser arising out of or in connection with the Agreement.

5. VALUATION OF ASSETS TO BE DISPOSED

- 5.1 The net tangible asset value of the Sale Shares is S\$2,890,827 as at 31 December 2010.
- 5.2 For illustrative purposes, the Consideration represents a discount of approximately 25.6% to the net tangible asset value of the Sale Shares as at 31 December 2010.

6. MATERIAL CONDITIONS

The Agreement is conditional upon, *inter alia*, the fulfilment of the following conditions:

- (a) the completion of a financial and legal due diligence exercise and the results of the financial and legal due diligence exercise being satisfactory to the Purchaser acting reasonably and in good faith;
- (b) the Purchaser obtaining the approval of its shareholders in general meeting for the purchase of the Sale Shares, if required;
- (c) the Company obtaining the approval of its shareholders in general meeting for the sale of the Sale Shares, if required;

- (d) the receipt by the Purchaser of such waivers or consents as may be necessary, including but not limited to waivers of pre-emption rights in respect of the Sale Shares;
- (e) the Completion NAV being not less than S\$2,750,000, as certified by the Vendors' auditors;
- (f) all other consents and approvals required under any and all applicable laws for the sale of the Sale Shares and to give effect to the transactions contemplated under the Agreement;
- (g) there being no default by any of the Group Companies in any of its or their obligations by which any Group Company may become bound or liable to be called upon to repay prematurely any loan capital or borrowed moneys;
- (h) there being no material adverse change in the business, operations, assets or financial condition of each of the Group Companies since the Signing Date;
- (i) the Share Charge duly executed by the Purchaser in favour of HLN Micron; and
- (j) the full and effective release of certain security arrangements granted by the Company to secure the obligations of the HLN Metal Group.

7. RATIONALE FOR THE PROPOSED DISPOSAL

- 7.1 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.
- 7.2 Earlier in 2008, HLN Metal had disposed certain assets as part of its plan to re-align the Group's metallic business division (Please refer to the Company's news release dated 17 September 2008).
- 7.3 In 2010, the Company announced plans to enter PRC's property development industry through a proposed acquisition for an effective stake of 15.16% in a top-end property developer in Tianjin. The Company successfully completed this acquisition on 13 May 2011 which would enable the Group to diversify from its existing manufacturing business and build a new source of earnings.
- 7.4 The Company has identified property development business in PRC 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.
- 7.5 In view of the shift in the Group's business direction and the increasingly competitive operating landscape for its metallic business in PRC, the Group has decided to dispose its interests in HLN Metal to unlock the value of its assets for re-investment in other growth areas and for working capital.
- 7.6 The Company foresees a gradual shift in its current business portfolio, subject to the performance of the property development business, opportunities for the existing elastomeric and polymeric manufacturing businesses, and potential returns from other investments. The Company believes that business transition has to take place over a period of time and shall judiciously consider the impact on its financial performance in any decisions concerning future business acquisitions, investments, partnerships or disposals.

8. LOSS ON PROPOSED DISPOSAL AND USE OF PROCEEDS

- 8.1 Based on the latest announced audited consolidated financial statements of HLN Metal Group and the Group for the financial year ended 31 December 2010 ("**FY2010**"), the net book value of the Sale Shares is approximately S\$2,890,827, based on the Company's cost of investment in the HLN Metal Group. The deficit of the carrying value of the Sale Shares over the proceeds from the Proposed Disposal is approximately S\$938,276.
- 8.2 The Company will realise an estimated net loss of approximately S\$938,276 from the Proposed Disposal.
- 8.3 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.

9. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

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 FY2010 are as follows:

(a) Effect on NTA per Share

Assuming that the Proposed Disposal had been completed on 31 December 2010, being the end of the most recently completed financial year, and based on the Group's audited consolidated financial statements for FY2010, the effect on the NTA per Share of the Group for FY2010 would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA attributable to shareholders as at 31 December 2010 (S\$ '000)	30,474	29,535
Number of Shares ('000)	148,060	148,060
NTA per Share (Singapore cents)	20.58	19.95

(b) Effect on EPS

Assuming that the Proposed Disposal had been completed on 1 January 2010, being the beginning of the most recently completed financial year, and based on the Group's audited consolidated financial statements for FY2010, the effect on the EPS of the Group for FY2010 would be as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Profit attributable to shareholders for FY2010 (S\$ '000)	1,029	637

Weighted average number of Shares ('000)	127,976	127,976
EPS (Singapore cents)	0.8	0.5

10. **REQUIREMENTS OF THE SGX-ST LISTING MANUAL**

10.1 The relative figures computed on the bases set out in Rule 1006 of the Listing Manual (the "**Listing Manual**") of the SGX-ST with respect to the Proposed Disposal based on the latest announced audited consolidated financial statements of the Group for FY2010 are as follows:

<u>Listing Rule</u>	<u>Bases</u>	<u>Relative Figures (%)</u>
(a) 1006(a) :	Net asset value of the Sale Shares disposed of compared with the net asset value of the Group.	9.49%
(b) 1006(b) :	Net profits attributable to the Sale Shares disposed of, compared with the net profits of the Group.	26.33%
(c) 1006(c) :	The aggregate value of the Consideration received by the Company in respect of the Proposed Disposal compared with the market capitalisation of the Company (based on the volume weighted average price of the Shares transacted on 23 May 2011, being the last market day preceding the date of this Announcement).	5.48%
(d) 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

10.2 As the relative figure under Rule 1006(b) exceeds 20%, the Proposed Disposal constitutes a "Major Transaction" as defined in Chapter 10 of the Listing Manual.

10.3 Accordingly, a circular in relation to the Proposed Disposal, together with a notice of the extraordinary general meeting to be convened, will be despatched to the shareholders of the Company in due course.

11. **INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal.

12. SERVICE CONTRACTS OF DIRECTORS

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.

13. DOCUMENT FOR INSPECTION

A copy of the Agreement is available for inspection during normal business hours at the registered office of the Company at 16 Kallang Place #01-16/18 Singapore 339156 for a period of 3 months from the date of this Announcement.

By Order of the Board

Wa Kok Liang, Leslie
Group Chief Operating Officer
24 May 2011