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If you are in doubt about any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountants or other professional advisers.

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

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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)

CONTINUING CONNECTED TRANSACTIONS

Financial Adviser to the Company



Independent financial adviser to the Independent Board Committee and the Independent Shareholders



Capitalised terms used in this cover have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 11 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 of this circular.

A letter from GF Capital (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 31 to 55 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 5th Floor Conference Room 1, Jin Tai Hotel, No. 38 Di'anmenxidajie, Xicheng District, Beijing, the PRC on Monday, 17 November 2014 at 3:00 p.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it 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, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the meeting or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting (as the case may be) should you so wish.

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DEFINITIONS

In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

“Approved Caps”	the estimated annual monetary values of the continuing connected transactions for the two financial years ending 31 December 2014 which have been approved by the Independent Shareholders at the extraordinary general meeting of the Company held on 26 November 2013
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“Changshu Cable”	Changshu Honglin Wire & Cable Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Changshu Cable is indirectly-owned by Mr. Chi and Mr. Jiang as to 25% and 51% respectively as at the Latest Practicable Date
“Changshu Connecting-Technology”	Changshu Honglin Connecting-Technology Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Mr. Chi and Chongqing Linbo are interested in 25% and 75% in Changshu Connecting-Technology respectively as at the Latest Practicable Date
“Changshu Electronic”	Changshu Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Changshu Electronic is wholly-owned by Chongqing Linbo as at the Latest Practicable Date
“Chenhong International”	Chenhong International Limited, a company incorporated in Hong Kong with limited liability and being part of Connected Group; Chenhong International is indirectly-wholly-owned by Mr. Chi as at the Latest Practicable Date

DEFINITIONS

“Chongqing Linbo”	Chongqing Linbo Investment Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Mr. Chi and his wife are directly interested in 80% and 20% interest in Chongqing Linbo respectively as at the Latest Practicable Date
“Chongqing Technology”	Chongqing Honglin Technology Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Chongqing Linbo is directly interested in 75% interest in Chongqing Technology as at the Latest Practicable Date
“Company”	HL Technology Group Limited (泓淋科技集團有限公司*), a company incorporated in the Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange
“Connected Group”	certain former members of the Group which were disposed of pursuant to the Disposal (i.e. being part of the Jia Ya Group) and Chongqing Linbo (which was established after the Disposal) comprising all members of Connected Purchaser Group, Connected Vendor Group, Connected Guarantee Group, all being parties to the New CCT Agreements
“Connected Guarantee Group”	(i) Weihai Hongbo; (ii) Dezhou Electronic; (iii) Chongqing Technology; (iv) Chongqing Linbo; (v) Changshu Electronic; (vi) Changshu Cable; (vii) Changshu Connecting-Technology; (viii) Shenzhen Communication; (ix) Huizhou Technology; (x) Hongxin International; (xi) Chenhong International; and (xii) Honglin Technology, each being part of Connected Group
“connected person(s)”	has the meaning ascribed to it in the Listing Rules

* For identification purposes only

DEFINITIONS

“Connected Purchaser Group”	(i) Weihai Hongbo; (ii) Dezhou Electronic; (iii) Chongqing Technology; (iv) Chongqing Linbo; (v) Changshu Electronic; (vi) Changshu Cable; (vii) Changshu Connecting-Technology; (viii) Shenzhen Communication; (ix) Huizhou Technology; (x) Hongxin International; (xi) Chenhong International; and (xii) Honglin Technology, each being part of Connected Group
“Connected Vendor Group”	(i) Weihai Hongbo; (ii) Dezhou Electronic; (iii) Chongqing Technology; (iv) Chongqing Linbo; (v) Changshu Electronic; (vi) Changshu Cable; (vii) Changshu Connecting-Technology; (viii) Shenzhen Communication; (ix) Huizhou Technology; (x) Hongxin International; (xi) Chenhong International; and (xii) Honglin Technology, each being part of Connected Group
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Dezhou Electronic”	Dezhou Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Dezhou Electronic is indirectly wholly-owned by Mr. Chi as at the Latest Practicable Date
“Dezhou Jincheng”	Dezhou Jincheng Electric Co., Ltd., a company established in the PRC with limited liability and a non-wholly-owned subsidiary of the Company as at the Latest Practicable Date
“Director(s)”	director(s) of the Company

DEFINITIONS

“Disposal”	the disposal of the entire issued share capital of a then wholly-owned subsidiary (which holds other members of Connected Group) by the Company pursuant to a sale and purchase agreement dated 9 June 2013 entered into among the Company, Jia Ya Developments and Mr. Chi (as supplemented by the supplemental agreements dated 24 June 2013 and 26 November 2013 respectively) which completed on 26 November 2013, details of which are set out in the circular of the Company dated 27 June 2013 and announcement of the Company dated 26 November 2013
“Disposal Completion”	completion of the Disposal
“EGM”	an extraordinary general meeting to be convened and held on 17 November 2014 by the Company to consider and, if thought fit, to approve, among other things, the Non-Exempted New CCT Agreements and the transactions contemplated thereunder and the Proposed Caps (or any adjournment thereof)
“Exempted Financial Assistance”	the financial assistance transactions involving connected persons which are exempted from reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules
“Exempted New CCT”	continuing connected transactions contemplated under the New Commission Agreement and the New Tenancy and Utility Services Agreement
“Exempted New CCT Agreement”	the New Commission Agreement and the New Tenancy and Utility Services Agreement
“Existing CCT”	the continuing connected transactions contemplated under the Existing CCT Agreements
“Existing CCT Agreements”	the Existing Master Sale Agreement, the Existing Master Purchase Agreement, the Existing Cross Guarantee Agreement, the Existing Commission Agreement and the Existing Tenancy and Utility Services Agreement

DEFINITIONS

“Existing Commission Agreement”	the commission agreement dated 29 October 2013 entered into between Weihai Electronic and Honglin Technology in relation to, among other things, the trading of products of Weihai Electronic
“Existing Cross Guarantee Agreement”	the master agreement of cross guarantee on banking facilities dated 29 October 2013 entered into between certain members of the Group and certain members of the Jia Ya Group in relation to cross guarantee on the banking facilities of each other
“Existing Master Purchase Agreement”	the master purchase agreement dated 29 October 2013 entered into between certain members of the Group and certain members of the Jia Ya Group in relation to, among other things, the supply of products to certain members of the Group by certain members of the Jia Ya Group and the use of supplier codes held by certain members of the Group
“Existing Master Sale Agreement”	the master sale agreement dated 29 October 2013 entered into between certain members of the Group and certain members of the Jia Ya Group in relation to, among other things, the sale of products by certain members of the Group to certain members of the Jia Ya Group and the use of supplier codes held by certain members of the Jia Ya Group
“Existing Tenancy and Utility Services Agreement”	the property lease agreement dated 29 October 2013 entered into between Dezhou Electronic and Dezhou Jincheng in relation to, among other things, the lease of the Property and the provision of utility services in the Property by Dezhou Electronic to Dezhou Jincheng
“GF Capital”	GF Capital (Hong Kong) Limited, a licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempted New CCT Agreements and the transactions contemplated thereunder, including their respective Proposed Caps
“Group”	the Company and its subsidiaries

DEFINITIONS

“Guarantee”	bank guarantee (excluding mortgage and pledge) and the entering into of relevant guarantee contract with banks
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HL Guarantee Group”	(i) Weihai Mingbo; (ii) Weihai Electronic; (iii) Weihai Jinyuan; (iv) Dezhou Jincheng; (v) Tianjin Jincheng; (vi) New Postcom Technology; and (vii) Shenyang New Postcom, each being part of the Group after Disposal Completion
“HL Purchaser Group”	(i) Weihai Mingbo; (ii) Weihai Electronic; (iii) Weihai Jinyuan; (iv) Dezhou Jincheng; (v) Tianjin Jincheng; (vi) New Postcom Technology; and (vii) Shenyang New Postcom, each being part of the Group after Disposal Completion
“HL Vendor Group”	(i) Weihai Mingbo; (ii) Weihai Electronic; (iii) Weihai Jinyuan; (iv) Dezhou Jincheng; (v) Tianjin Jincheng; (vi) New Postcom Technology; and (vii) Shenyang New Postcom, each being part of the Group after Disposal Completion
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Honglin Technology”	Honglin Technology Co., Ltd., a company established in Taiwan with limited liability and being part of Connected Group; Honglin Technology is indirectly wholly-owned by Mr. Chi as at the Latest Practicable Date
“Hongxin International”	Hongxin International Limited, a company incorporated in Hong Kong with limited liability and being part of Connected Group; Hongxin International is indirectly wholly-owned by Mr. Chi as at the Latest Practicable Date
“Huizhou Technology”	Huizhou Honglin Technology Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Huizhou Technology is a wholly-owned subsidiary of Changshu Cable as at the Latest Practicable Date

DEFINITIONS

“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely, Mr. Thomas Tam, Mr. Pao Ping Wing and Ms. Zheng Lin formed to advise the Independent Shareholders on the Non-Exempted New CCT
“Independent Shareholders”	Shareholders other than Mr. Chi, Mr. Jiang and their associates
“Jia Ya Developments”	Jia Ya Developments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Chi as at the Latest Practicable Date
“Jia Ya Group”	Jia Ya Developments and its subsidiaries immediately after Disposal Completion (including, among others, Weihai Hongbo, Changshu Electronic, Honglin Technology, Huizhou Technology, Chongqing Technology, Shenzhen Communication, Dezhou Electronic, Changshu Connecting-Technology, Chenhong International, Hongxin International and Changshu Cable), being part of Connected Group
“Latest Practicable Date”	24 October 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chi”	Mr. Chi Shaolin, the executive Director, chairman and chief executive officer of the Company and a substantial Shareholder
“Mr. Jiang”	Mr. Jiang Taike, a former executive Director
“New CCT”	the continuing connected transactions contemplated under the New CCT Agreements
“New CCT Agreements”	the New Master Sale Agreement, the New Master Purchase Agreement, the New Cross Guarantee Agreement, the New Commission Agreement and the New Tenancy and Utility Services Agreement

DEFINITIONS

“New Commission Agreement”	the commission agreement dated 10 October 2014 entered into between Weihai Electronic and Honglin Technology in relation to, among other things, the trading of products of Weihai Electronic
“New Cross Guarantee Agreement”	the master agreement of cross guarantee on banking facilities dated 10 October 2014 entered into between HL Guarantee Group and Connected Guarantee Group in relation to cross guarantee on the banking facilities of each other
“New Master Purchase Agreement”	the master purchase agreement dated 10 October 2014 entered into between HL Purchaser Group and Connected Vendor Group in relation to, among other things, the supply of products to HL Purchaser Group by Connected Vendor Group and the use of supplier codes held by HL Purchaser Group
“New Master Sale Agreement”	the master sale agreement dated 10 October 2014 entered into between HL Vendor Group and Connected Purchaser Group in relation to, among other things, the sale of products by HL Vendor Group to Connected Purchaser Group and the use of supplier codes held by Connected Purchaser Group
“New Postcom Technology”	New Postcom Technology Co., Ltd., a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“New Tenancy and Utility Services Agreement”	the property lease agreement dated 10 October 2014 entered into between Dezhou Electronic and Dezhou Jincheng in relation to, among other things, the lease of the Property and the provision of utility services in the Property by Dezhou Electronic to Dezhou Jincheng
“Non-Exempted Existing CCT Agreements”	the Existing Master Sale Agreement, the Existing Master Purchase Agreement and the Existing Cross Guarantee Agreement
“Non-Exempted New CCT”	the continuing connected transactions contemplated under the New Master Sale Agreement, the New Master Purchase Agreement and the New Cross Guarantee Agreement

DEFINITIONS

“Non-Exempted New CCT Agreements”	the New Master Sale Agreement, the New Master Purchase Agreement and the New Cross Guarantee Agreement
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
“Property”	(i) Plant A within the site of Dezhou Electronic located at The Garden Road, Hengyuan Economic Development Zone, Linyi County, Shandong Province, the PRC (中國山東省臨邑縣恒源經濟開發區花園大道德州電子院內A棟廠房) with gross floor area of approximately 9,988 sq.m.; (ii) Plant B within the site of Dezhou Electronic located at The Garden Road, Hengyuan Economic Development Zone, Linyi County, Shandong Province, the PRC (中國山東省臨邑縣恒源經濟開發區花園大道德州電子院內的B棟廠房) with gross floor area of approximately 9,980 sq.m.; and (iii) Dormitory No. 1 within the site of Dezhou Electronic located at The Garden Road, Hengyuan Economic Development Zone, Linyi County, Shandong Province, the PRC (中國山東省臨邑縣恒源經濟開發區花園大道德州電子院內的1號宿舍樓) with gross floor area of approximately 5,516 sq.m., all of which are owned by Dezhou Electronic
“Proposed Caps”	the proposed estimated annual monetary values of the New CCT for the financial year ending 31 December 2015 pursuant to the New CCT Agreements
“RMB”	Renminbi, the lawful currency in the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shenyang New Postcom”	Shenyang New Postcom Co., Ltd., a wholly foreign owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date

DEFINITIONS

“Shenzhen Communication”	Shenzhen Honglin Communication Technology Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Changshu Electronic is directly interested in 80% interest in Shenzhen Communication as at the Latest Practicable Date
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Tianjin Jincheng”	Tianjin Jincheng Hanisi Automotive Electronics Co., Ltd., a company established in the PRC with limited liability and a non-wholly-owned subsidiary of Dezhou Jincheng as at the Latest Practicable Date
“Weihai Electronic”	Weihaishi Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of the Group as at the Latest Practicable Date
“Weihai Hongbo”	Weihaishi Hongbo Wire & Cable Technology Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Weihai Hongbo is indirectly wholly-owned by Mr. Chi as at the Latest Practicable Date
“Weihai Jinyuan”	Weihai Jinyuan Mingye Property Development Co., Ltd., a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Group as at the Latest Practicable Date
“Weihai Mingbo”	Weihaishi Mingbo Wire & Cable Technology Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of the Group as at the Latest Practicable Date
“%”	per cent.

In this circular, the English names of certain PRC entities are translation of their Chinese names, and are included herein for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

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 Director:

Mr. CHI Shaolin (*Chairman and Chief Executive Officer*)

Mr. CHENG Wen (*Vice Chief Executive Officer*)

Mr. LU Chengye (*Vice Chief Executive Officer
and Authorized Representative*)

Registered Office:

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

Independent Non-executive Directors:

Mr. Thomas TAM

Mr. PAO Ping Wing

Ms. ZHENG Lin

*Principal Place of Business
in Hong Kong:*

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

31 October 2014

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 10 October 2014 in relation to, among other things, the entering into of the New CCT Agreements and the transactions contemplated thereunder.

On 26 November 2013, the Disposal Completion took place and certain members of Jia Ya Group were disposed of to Mr. Chi, the substantial Shareholder, chairman and chief executive officer of the Company. Since then, certain members of the Group have been conducting transactions with these companies pursuant to the Existing CCT Agreements with the approval of the then independent Shareholders (as appropriate). In view that the Existing CCT Agreements will expire on 31 December 2014 and the Company expects that the Existing CCT

* *For identification purposes only*

LETTER FROM THE BOARD

may not be completely segregated in near future, the Company and relevant members of Connected Group (comprising relevant members of Jia Ya Group and Changqing Linbo) propose to continue the Existing CCT (including sale and purchase of goods, provision of trading services, property lease, provision of utility services and cross guarantee on banking facilities) after expiry of the Existing CCT Agreements and entered into the following New CCT Agreements after trading hours on 10 October 2014:

Regarding the Non-Exempted New CCT

- (i) the New Master Sale Agreement, pursuant to which HL Vendor Group will continue to sell cable, power cord and relevant components to Connected Purchaser Group (comprising certain members of Jia Ya Group);
- (ii) the New Master Purchase Agreement, pursuant to which HL Purchaser Group will continue to purchase external and internal signal cable assembly from Connected Vendor Group (comprising certain members of Jia Ya Group);
- (iii) the New Cross Guarantee Agreement, pursuant to which HL Guarantee Group and Connected Guarantee Group (comprising certain members of Jia Ya Group) will continue to provide reciprocal Guarantee on banking facilities of each other;

Regarding the Exempted New CCT

- (iv) the New Commission Agreement, pursuant to which Honglin Technology (being a member of Connected Group) will continue to act as an agent for trading certain products of Weihai Electronic (being a member of the Group) in Taiwan; and
- (v) the New Tenancy and Utility Services Agreement, pursuant to which Dezhou Electronic (being a member of Connected Group) will continue to lease the Property and provide relevant utility services to Dezhou Jincheng (being a member of the Group).

The purpose of this circular is to provide you with, among other things, further information in relation to (i) the non-Exempted New CCT Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from GF Capital to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

LETTER FROM THE BOARD

RENEWAL OF THE EXISTING CCT

The Non-Exempted New CCT Agreements

A. New Master Sale Agreement – Sale of cable, power cord and relevant components to Connected Purchaser Group

On 10 October 2014, HL Vendor Group and Connected Purchaser Group entered into the New Master Sale Agreement to continue the sale of cable, power cord and relevant components by HL Vendor Group (and its respective subsidiaries from time to time) to Connected Purchaser Group (and its respective subsidiaries from time to time) and the use of supplier codes held by Connected Purchaser Group to ultimate customers under the Existing Master Sale Agreement, subject to the approval of the Independent Shareholders, for a period commencing from 1 January 2015 or the date of fulfilment of all conditions precedent to the New Master Sale Agreement as set out in the paragraph headed “Conditions Precedent to the Non-Exempted New CCT Agreements” below (whichever is later) to 31 December 2015.

Vendors:

HL Vendor Group:

- (i) Weihai Mingbo;
- (ii) Weihai Electronic;
- (iii) Weihai Jinyuan;
- (iv) Dezhou Jincheng;
- (v) Tianjin Jincheng;
- (vi) New Postcom Technology; and
- (vii) Shenyang New Postcom

Purchasers:

Connected Purchaser Group:

- (i) Weihai Hongbo;
- (ii) Dezhou Electronic;
- (iii) Chongqing Technology;
- (iv) Chongqing Linbo;
- (v) Changshu Electronic;
- (vi) Changshu Cable;
- (vii) Changshu Connecting-Technology;
- (viii) Shenzhen Communication;
- (ix) Huizhou Technology;
- (x) Hongxin International;
- (xi) Chenhong International; and
- (xii) Honglin Technology

LETTER FROM THE BOARD

Pricing policy:

The pricing for products under the New Master Sale Agreement is to be transacted on normal commercial terms and based upon the market price on a fair and reasonable basis, and shall in principle be on terms no less favourable than terms available to independent third parties. For products to be sold to Connected Purchaser Group solely for its onward sales using its supplier codes, the pricing will be based on the price negotiated between and agreed by HL Vendor Group and its ultimate third party customers. For products to be sold to Connected Purchaser Group for its onward processing without the use of its supplier codes, pricing will be determined with reference to available quotations of and/or contracts with third party customers for similar products. Pricing will be agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations. The Company has adopted an internal policy relating to the management and monitoring of connected transactions (including continuing connected transactions). In particular, under such policy, the sales department will compare the terms of continuing connected transactions with those of the similar transactions between independent third parties before execution of the relevant sales orders/contracts. If the sales department discovers the terms of the proposed sales orders/contracts are less favourable than terms available to independent third parties, the sales department is required to report to senior management and seek further instruction. The finance department of the Company will review and cross-check the terms of continuing connected transactions with those of the similar transactions between independent third parties monthly. In the event that the finance department discovered the actual terms of certain continuing connected transactions were less favourable than terms available to independent third parties during the monthly review, the finance department needs to report to senior management and senior management would consider and determine what actions need to be taken to rectify such transactions.

LETTER FROM THE BOARD

If transactions pursuant to the New Master Sale Agreement are solely for the purpose of using any supplier codes held by Connected Purchaser Group to sell the relevant products to the ultimate customers of HL Vendor Group, the amount payable by Connected Purchaser Group in respect of the products to be transacted shall be settled within 30 days after receiving the relevant payment from the third party customers for the products sold. In addition, a fee based on the relevant sales amount to the ultimate customers will be charged to HL Vendor Group, to be determined based on comparable transactions in the market, or where there are no such comparable transactions, on terms no less favourable than terms available by independent third parties. The fee is agreed as 1% of the sales amount pursuant to the New Master Sale Agreement where the rate of 1% was determined with reference to the rates charged by independent third party supplier code providers of similar products adjusted for the relevant scope of services provided. Such amount payable shall be settled within 45 days upon invoiced.

For sales to Connected Purchaser Group without using any supplier code held by Connected Purchaser Group, Connected Purchaser Group shall settle the amount in respect of the products transacted within 90 days after the amounts have been entered into the accounts of both parties.

LETTER FROM THE BOARD

B. New Master Purchase Agreement – Supply of finished external and internal signal cable assembly by Connected Vendor Group

On 10 October 2014, Connected Vendor Group and HL Purchaser Group entered into the New Master Purchase Agreement to continue the sale of finished external and internal signal cable assembly by Connected Vendor Group (and its respective subsidiaries from time to time) to HL Purchaser Group (and its respective subsidiaries from time to time) and the use of supplier codes held by HL Purchaser Group to ultimate customers under the Existing Master Purchase Agreement, subject to the approval of the Independent Shareholders, for a period commencing from 1 January 2015 or the date of fulfilment of all conditions precedent to the New Master Purchase Agreement as set out in the paragraph headed “Conditions Precedent to the Non-Exempted New CCT Agreements” below (whichever is later) to 31 December 2015.

Vendors:

Connected Vendor Group:

- (i) Weihai Hongbo;
- (ii) Dezhou Electronic;
- (iii) Chongqing Technology;
- (iv) Chongqing Linbo;
- (v) Changshu Electronic;
- (vi) Changshu Cable;
- (vii) Changshu Connecting-Technology;
- (viii) Shenzhen Communication;
- (ix) Huizhou Technology;
- (x) Hongxin International;
- (xi) Chenhong International; and
- (xii) Honglin Technology

Purchasers:

HL Purchaser Group:

- (i) Weihai Mingbo;
- (ii) Weihai Electronic;
- (iii) Weihai Jinyuan;
- (iv) Dezhou Jincheng;
- (v) Tianjin Jincheng;
- (vi) New Postcom Technology; and
- (vii) Shenyang New Postcom

LETTER FROM THE BOARD

Pricing policy:

The pricing for products under the New Master Purchase Agreement is to be transacted on normal commercial terms and based upon the market price on a fair and reasonable basis, and shall in principle be not better than terms available to independent third parties. Pricing of the products to be transacted will be based on the price negotiated between and agreed by Connected Vendor Group and its ultimate third party customers. Pricing will be agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations. The Company has adopted an internal policy relating to the management and monitoring of connected transactions (including continuing connected transactions). In particular, under such policy, the procurement department will compare the terms of continuing connected transactions with those of the similar transactions between independent third parties before execution of the relevant purchase orders/contracts. If the procurement department discovers the terms of the proposed purchase orders/contracts are less favourable than terms available from independent third parties, the procurement department is required to report to senior management and seek further instruction. The finance department of the Company will review and cross-check the terms of continuing connected transactions with those of the similar transactions between independent third parties monthly. In the event that the finance department discovered the actual terms of certain continuing connected transactions were less favourable than terms available from independent third parties during the monthly review, the finance department needs to report to senior management and senior management would consider and determine what actions need to be taken to rectify such transactions.

The amount payable by HL Purchaser Group shall be settled within 60 days after receiving the relevant payment from third party customers for the products sold.

LETTER FROM THE BOARD

If transactions pursuant to the New Master Purchase Agreement are solely for the purpose of using any supplier codes held by HL Purchaser Group to sell the relevant products to the ultimate customers of Connected Vendor Group, a fee based on the relevant sales amount to the ultimate customers will be charged to Connected Vendor Group, to be determined based on comparable transactions in the market, or where there are no such comparable transactions, on terms no less favourable than terms available to independent third parties. The fee is agreed as 1% of the sales amount pursuant to the New Master Purchase Agreement where the rate of 1% was determined with reference to the rates charged by independent third party supplier code providers of similar products adjusted for the relevant scope of services provided. Such amount payable shall be settled within 45 days upon invoiced.

C. New Cross Guarantee Agreement – Provision of reciprocal Guarantee on banking facilities

On 10 October 2014, HL Guarantee Group and Connected Guarantee Group entered into the New Cross Guarantee Agreement to continue the existing arrangement on the provision of Guarantee on banking facilities of the parties, pursuant to which (i) HL Guarantee Group (and its respective subsidiaries from time to time) will, on a non-commitment basis and subject to conditions, provide Guarantee on banking facilities of Connected Guarantee Group (and its respective subsidiaries from time to time) for an aggregate revolving amount not exceeding RMB570 million (equivalent to approximately HK\$719 million) for the financial year ending 31 December 2015; and (ii) Connected Guarantee Group (and its respective subsidiaries from time to time) will, on a non-commitment basis and subject to conditions, provide Guarantee on banking facilities of HL Guarantee Group (and its respective subsidiaries from time to time) for an aggregate revolving amount not exceeding RMB740 million (equivalent to approximately HK\$934 million) for the financial year ending 31 December 2015, each for a period commencing from 1 January 2015 or the date of fulfillment of all conditions precedent to the New Cross Guarantee Agreement as set out in the paragraph headed “Conditions Precedent to the Non-Exempted New CCT Agreements” below (whichever is later) to 31 December 2015.

LETTER FROM THE BOARD

C.1 Guarantee to be provided by HL Guarantee Group to Connected Guarantee Group

Guarantors:

HL Guarantee Group:

- (i) Weihai Mingbo;
- (ii) Weihai Electronic;
- (iii) Weihai Jinyuan;
- (iv) Dezhou Jincheng;
- (v) Tianjin Jincheng;
- (vi) New Postcom Technology; and
- (vii) Shenyang New Postcom

Guarantees:

Connected Guarantee Group:

- (i) Weihai Hongbo;
- (ii) Dezhou Electronic;
- (iii) Chongqing Technology;
- (iv) Chongqing Linbo;
- (v) Changshu Electronic;
- (vi) Changshu Cable;
- (vii) Changshu Connecting-Technology;
- (viii) Shenzhen Communication;
- (ix) Huizhou Technology;
- (x) Hongxin International;
- (xi) Chenhong International; and
- (xii) Honglin Technology

Pricing policy:

Fee of 2.4% on the guaranteed amount will be charged by HL Guarantee Group in respect of the issue of Guarantee. Such fee rate was determined with reference to the prevailing market rate based on the quotation obtained by HL Guarantee Group and/or available market information. Such amount will be invoiced within one month, after issue of each Guarantee.

LETTER FROM THE BOARD

C.2 Guarantee to be provided by Connected Guarantee Group to HL Guarantee Group

Guarantors: **Connected Guarantee Group**

Guarantees: **HL Guarantee Group**

Pricing policy: Fee of 1.92% on the guaranteed amount will be charged by Connected Guarantee Group in respect of the issue of Guarantee. Such fee rate was determined (i) with reference to the prevailing market rate based on the quotation obtained by the Connected Guarantee Group and/or available market information; and (ii) after taking into a discount for HL Guarantee Group. Such amount will be invoiced within one month, after issue of each Guarantee.

Conditions precedent to the Non-Exempted New CCT Agreements

Each of the New CCT Agreements is conditional on and shall become effective upon fulfillment of the following conditions precedent:

- (i) the relevant parties having signed on the relevant New CCT Agreements; and
- (ii) the Company having obtained the approval of the Board and the Independent Shareholders at the general meeting (if required) and all necessary or appropriate approvals and consents under the Listing Rules and applicable laws.

LETTER FROM THE BOARD

PROPOSED CAPS AND HISTORICAL FIGURES

Historical figures

The following table sets out the historical transaction amounts of the Existing CCT (being intragroup transactions before Disposal Completion where transactions D and E were continuing connected transactions exempted from independent shareholders' approval) during each of the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014:

Existing CCT	For the financial year ended 31 December 2012 <i>(RMB'000)</i> <i>(unaudited)</i>	For the financial year ended 31 December 2013 <i>(RMB'000)</i> <i>(unaudited)</i>	For the eight months ended 31 August 2014 <i>(RMB'000)</i> <i>(unaudited)</i>
A. Sales of cable, power cord and relevant components to Connected Purchaser Group/Relevant fee for using supplier codes held by Connected Purchaser Group <i>(Approved Caps/Relevant fee for using supplier codes held by Connected Purchaser Group for the relevant financial year)</i>	186,636 <i>N/A</i> <i>(Note 1)</i>	149,348/779 <i>(155,000/800)</i>	111,168/494 <i>(290,000/900)</i>
B. Supply of finished external and internal signal cable assembly by Connected Vendor Group/Relevant fee for using supplier codes held by HL Purchaser Group <i>(Approved Caps/Relevant fee for using supplier codes held by HL Purchaser Group for the relevant financial year)</i>	19,542 <i>N/A</i> <i>(Note 1)</i>	86,840/868 <i>(102,000/1,020)</i>	67,347/674 <i>(202,000/2,020)</i>
C. Reciprocally Guarantee on banking facilities			
C.1 Guarantee provided by HL Guarantee Group to Connected Guarantee Group/Relevant guarantee fee <i>(Approved Caps/Relevant guarantee fee for the relevant financial year)</i>	231,887 <i>N/A</i> <i>(Note 1 & 2)</i>	403,195/9,677 <i>(415,000/9,960)</i>	447,076/10,730 <i>(475,000/11,400)</i>
C.2 Guarantee provided by Connected Guarantee Group to HL Guarantee Group/Relevant guarantee fee <i>(Approved Caps/Relevant guarantee fee for the relevant financial year)</i>	326,000 <i>N/A</i> <i>(Note 1 & 2)</i>	446,000/8,563 <i>(736,000/14,132)</i>	446,000/8,563 <i>(856,000/16,436)</i>
D. Provision of trading services to Weihai Electronic <i>(Approved Caps for the relevant financial year)</i>	348 <i>N/A</i>	1,967 <i>(2,200)</i>	1,300 <i>(2,200)</i>

LETTER FROM THE BOARD

	For the financial year ended 31 December 2012 <i>(RMB'000)</i> (unaudited)	For the financial year ended 31 December 2013 <i>(RMB'000)</i> (unaudited)	For the eight months ended 31 August 2014 <i>(RMB'000)</i> (unaudited)
Existing CCT			
E. Lease of the Property and the provision of relevant utility services to Dezhou Jincheng (<i>Approved Caps for the relevant financial year</i>)	N/A	1,833 <i>(Note3)</i> (2,215)	2,551 <i>(3,938)</i>

Notes:

- 1 For the year ended 31 December 2012, there was no fee arrangement between the Group and Connected Group in relation to the use of supplier codes and provision of Guarantee on banking facilities.
- 2 Figures represent the amounts of Guarantee provided as at the end of year or period.
- 3 The previous lease commenced from April 2013.

Proposed Caps

The following table sets out the Proposed Caps of the New CCT for the financial year ending 31 December 2015 under their corresponding New CCT Agreements where transactions D and E were continuing connected transactions exempted from independent shareholders' approval:

	For the financial year ending 31 December 2015 <i>(RMB'000)</i>
New CCT	
A. Sales of cable, power cord and relevant components to Connected Purchaser Group (<i>Relevant fee for using supplier codes held by Connected Purchaser Group</i>)	180,000 <i>(800)</i>
B. Supply of finished external and internal signal cable assembly by Connected Vendor Group (<i>Relevant fee for using supplier codes held by HL Purchaser Group</i>)	110,000 <i>(1,100)</i>

LETTER FROM THE BOARD

New CCT	For the financial year ending 31 December 2015 (RMB'000)
C. Reciprocally Guarantee on banking facilities	
C.1 (a) Guarantee provided by HL Guarantee Group to Connected Guarantee Group (excluding Exempted Financial Assistance)	570,000
(b) Guarantee fee charged by HL Guarantee Group	13,680
C.2 (a) Guarantee provided by Connected Guarantee Group to HL Guarantee Group (excluding Exempted Financial Assistance)	740,000
(b) Guarantee fee charged by Connected Guarantee Group	14,208
D. Provision of trading services to Weihai Electronic	3,000
E. Lease of the Property and the provision of relevant utility services to Dezhou Jincheng	4,500

Basis in determining the Proposed Caps

In determining the Proposed Caps for the New CCT for the financial year ending 31 December 2015, the Board has determined its estimates based on the sales forecast and historical transaction amounts. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand, are set out as below:

Regarding transactions pursuant to the New Master Sale Agreement, the New Master Purchase Agreement and the New Commission Agreement:

- (i) the actual transacted quantities and amounts for the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014 respectively;
- (ii) the anticipated change in ultimate customers' demand on the products of HL Vendor Group and Connected Vendor Group and the need of using relevant supplier codes held by Connected Purchaser Group and HL Purchaser Group;

LETTER FROM THE BOARD

- (iii) the anticipated change in purchase volume of Connected Purchaser Group to meet its production target;
- (iv) the anticipated demand of products of Weihai Electronic in Taiwan market; and
- (v) the prevailing and anticipated unit price of the products to be transacted.

Regarding transactions pursuant to the New Cross Guarantee Agreement:

- (i) the amount guaranteed by each other of HL Guarantee Group and Connected Guarantee Group for the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014 respectively;
- (ii) the historical level of indebtedness of each of HL Guarantee Group and Connected Guarantee Group pursuant to the relevant guarantee for the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014 respectively; and
- (iii) the anticipated demand of capital for HL Guarantee Group and Connected Guarantee Group taking into account their respective operational need and production target.

Regarding transactions pursuant to the New Tenancy and Utility Services Agreement:

- (i) the rental rate for the Property with reference to the similar property in proximity;
- (ii) the anticipated cost of providing the relevant utility services; and
- (iii) the anticipated area of the Property to be leased to Dezhou Jincheng.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE NEW CCT

The Group is mainly engaged in the manufacture and sales of power cord assembly, signal transmission wire and cable products, automotive wiring harness, telecommunication products and other related products and the provision of services for the construction of base station for telecommunication networks. Before Disposal Completion, the businesses of the Group relating to the manufacture and sales of signal cable assembly, connectors, antennas and substantial part of signal transmission wire and cable products are mainly conducted by certain former members of the Group which have been disposed of pursuant to the Disposal. Intragroup transactions (such as sales and purchase of finished goods, lease of property and provision of utility services and trading services) and the financial assistance (such as provision of reciprocally Guarantee on banking facilities) (in particular, between the Group and Jia Ya Group) have been carried out on an ongoing basis and certain of them cannot be terminated upon Disposal Completion. As such, the Group and certain members of Jia Ya Group entered into the Existing CCT Agreements

LETTER FROM THE BOARD

on 29 October 2013 to continue the then pre-existing business arrangement. The Existing CCT Agreements and the transactions contemplated thereunder were approved (as appropriate) at an extraordinary general meeting of the Company held on 26 November 2013 by way of poll.

In view that the Existing CCT Agreements will expire on 31 December 2014 and the Company expects that the Existing CCT may not be completely segregated in near future, the Company and Connected Group propose to continue the Existing CCT by entering into the New CCT Agreements.

New Master Sale Agreement and New Master Purchase Agreement

The Group has been transacting with its major customers with supplier codes assigned by those customers for identification purpose. These supplier codes are unique and they have been held by different subsidiaries of the Group. Before Disposal Completion, it is one of the internal processes of the Group to sell products of a subsidiary to another subsidiary which owns the relevant supplier codes who in turn resell such products to the ultimate customers. However, after Disposal Completion, some supplier codes continue to be held by the Group whereas some other supplier codes are held by Connected Group. The Group has tried to retrieve or transfer the existing supplier codes or reapply new supplier codes in order to eliminate the potential continuing connected transactions between the Group and Connected Group and Connected Group has already obtained a replacement supplier code after Disposal Completion for direct transactions with its ultimate customer. However, some supplier codes are not transferrable and customers may take a long time to process the application for new supplier codes. In light of the abovementioned, the Group and Connected Group decide to continue to use these supplier codes of each others so as to continue the business with their respective ultimate customers after the expiry of the Existing Master Sale Agreement and the Existing Master Purchase Agreement.

The Group manufactured and sold finished cable in its ordinary course of business before Disposal Completion and certain portion of the raw cable was manufactured by Weihai Electronic. During the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014, Weihai Electronic supplied raw cable to Connected Purchaser Group for its onward processing pursuant to the Existing Master Sale Agreement and the Group intends to continue the sales to relevant members of Connected Purchaser Group after the expiry of the Existing Master Sale Agreement where the prices offered to Connected Group are no less favourable than those to other independent customers.

New Commission Agreement

Honglin Technology, established in Taiwan on 21 July 2010, has been engaged in the marketing of products of the Group including internal and external signal cable assembly, power cord assembly and antennas, and the research and development of antennas.

Since 2012, the Group, in particular Weihai Electronic, has commenced business development of the Taiwan market via Honglin Technology. In view of that Honglin Technology is familiar with the businesses of Weihai Electronic, Weihai Electronic entered into the Existing

LETTER FROM THE BOARD

Commission Agreement in order to expand its customer coverage in Taiwan. In view of the satisfaction of the services provided by Honglin Technology during the term of the Existing Commission Agreement, Weihai Electronic intends to continue to engage Honglin Technology as its trading agent for sales in Taiwan after expiry of the Existing Commission Agreement.

New Tenancy and Utility Services Agreement

Dezhou Jincheng is principally engaged in manufacturing and sales of automotive wiring harness, automotive spare parts and computer and peripheral equipment. Dezhou Electronic is principally engaged in the manufacturing and sales of external signal cable assembly.

The production plants of Dezhou Jincheng and Dezhou Electronic are located in close proximity and are designed for similar working processes. As such, Dezhou Jincheng rent the Property pursuant to the Existing Tenancy and Utility Services Agreement in order to expand its production lines to meet the anticipated increase in production capacity. In view that Dezhou Jincheng will require the Property for its ongoing production, Dezhou Jincheng has to renew the lease of the Property pursuant to the Existing Tenancy and Utility Services Agreement and enter into the New Tenancy and Utility Services Agreement.

New Cross Guarantee Agreement

With the tightening of the bank lending regulations in the PRC, it has been a common practice for banks in the PRC to request either guarantee or securities to secure banking facilities granted to borrowers.

Each member of HL Guarantee Group and Connected Guarantee Group (except Chongqing Linbo) is a subsidiary of the Group before Disposal Completion and most of the members of HL Guarantee Group and Connected Guarantee Group have been providing reciprocally Guarantee to companies within the Group on the banking facilities of each other on an ongoing basis so as to facilitate their operation and business development. Since HL Guarantee Group has difficulty in obtaining sufficient banking facilities in light of the scale of its fixed assets (e.g. land and properties), HL Guarantee Group entered into the Existing Cross Guarantee Agreement with Connected Guarantee Group pursuant to which HL Guarantee Group and Connected Guarantee Group have obtained the corporate guarantee provided by each other on their respective banking facilities. The relevant banking facilities of HL Guarantee Group have been utilised as a supplement to its working capital and basic construction and maintenance of fixed assets whilst the banking facilities of Connected Guarantee Group have been utilised as a supplement to its working capital and basic construction and maintenance of fixed assets. As certain members of Connected Guarantee Group will also have business relationship with the Group, the Board believes that the Group will be able to benefit from the financing as guaranteed by Connected Guarantee Group pursuant to the New Cross Guarantee Agreement as well as the continuation of business relation with Connected Guarantee Group pursuant to other New CCT Agreements.

LETTER FROM THE BOARD

In light of the above, the Board (including the independent non-executive Directors) considers that each of the New CCT Agreements is entered into on normal commercial terms and their terms are fair and reasonable and the entering into each of the New CCT Agreements, the transactions contemplated thereunder (including the relevant Proposed Caps) are in the best interests of the Group and the Independent Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Mr. Chi (the substantial Shareholder, the chairman and the chief executive officer of the Company and an executive Director who is interested in approximately 13.5% interests of the Company as at the Latest Practicable Date) is the controlling shareholder of Connected Group (except Changshu Cable) whilst Mr. Jiang (a person who was a director of the Company in the 12 months preceding the date of the New CCT Agreements) is the controlling shareholder of Changshu Cable. Accordingly, Mr. Chi, Mr. Jiang and each member of Connected Group are considered to be connected persons of the Company as at the date of the New CCT Agreements under Chapter 14A of the Listing Rules. The entering into the New CCT Agreements and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Non-Exempted New CCT (i.e. New CCT falling within the categories of (i) sales of cable, power cord and relevant components to Connected Purchaser Group; (ii) supply of finished external and internal signal cable assembly by Connected Vendor Group; and (iii) provision of cross Guarantee on banking facilities) are subject to reporting, announcement, annual review and approval by the Independent Shareholders requirements under Rule 14A.76(2) of the Listing Rules as the respective applicable percentage ratios under the Listing Rules exceed 5% and the corresponding Proposed Caps exceed HK\$10 million.

The Exempted New CCT (i.e. New CCT falling within the categories of (i) provision of trading services to Weihai Electronic; and (ii) the lease of the Property and provision of relevant utility services to Dezhou Jincheng) are subject to the reporting, announcement and annual review requirements but are exempt from the Independent Shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules as all applicable percentage ratios under the Listing Rules are less than 25% and the corresponding Proposed Caps are less than HK\$10 million.

Since Mr. Chi is deemed to have material interests in each of the New CCT Agreements and the transactions contemplated thereunder, Mr. Chi was required to abstain and had abstained from voting on the relevant resolutions at the board meeting approving the New CCT Agreements and the transactions contemplated thereunder (including the Proposed Caps). Mr. Chi, Mr. Jiang and their associates (including Chenlin International Joint Stock Company Limited holding an aggregate of 97,000,839 Shares as at the Latest Practicable Date) will also abstain from voting on the resolutions to be proposed at the EGM for approving each of the New CCT Agreements relating to the Non-Exempted New CCT and the transactions contemplated thereunder (including the relevant Proposed Caps).

LETTER FROM THE BOARD

THE EGM

A notice convening the EGM at which the ordinary resolutions will be proposed to consider and, if thought fit, to approve the Non-Exempted New CCT Agreements, the transactions contemplated thereunder and their respective Proposed Caps to be held at 5th Floor Conference Room 1, Jin Tai Hotel, No. 38, Di'anmenxidajie, Xicheng District, Beijing, the PRC on Monday, 17 November 2014 at 3:00 p.m., is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you are able to attend the EGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same 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, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the EGM or any adjourned meeting (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 adjourned meeting (as the case may be) should you so wish.

In accordance with the requirements of the Listing Rules, the ordinary resolutions to be put forward at the EGM will be voted on by the Independent Shareholders by way of poll.

FORMATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether each of the Non-Exempted New CCT and their respective Proposed Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Your attention is drawn to the letter from the Independent Board Committee containing its recommendation set out on page 30 of this circular.

GF Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of each of the Non-Exempted New CCT Agreements (including their respective Proposed Caps) are fair and reasonable so far as the Independent Shareholders are concerned and the entering of the Non-Exempted New CCT Agreements and the Non-Exempted New CCT contemplated thereunder are in the interests of the Company and the Shareholders as a whole. The text of the letter of recommendation from GF Capital is set out on pages 31 to 55 of this circular.

RECOMMENDATIONS

The Board believes that each of the Non-Exempted New CCT and their respective Proposed Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Board recommends the Shareholders to vote in favour of all the ordinary resolutions to be proposed at the EGM to approve each of the Non-Exempted New CCT Agreements, the transactions contemplated thereunder and their respective Proposed Caps.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

Your attention is drawn to the additional information contained in the appendix to this circular.

By order of the Board
HL Technology Group Limited
Chi Shaolin
Chairman & CEO



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)

31 October 2014

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated 31 October 2014 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you in connection with the Non-Exempted New CCT and their respective Proposed Caps and to advise you as to whether, in our opinion, the Non-Exempted New CCT and their respective Proposed Caps are fair and reasonable so far as the Independent Shareholders are concerned. Details of the Non-Exempted New CCT and their respective Proposed Caps are set out in the Letter from the Board contained in the Circular. GF Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempted New CCT and their respective Proposed Caps. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the letter from GF Capital contained in the Circular.

Having considered the Non-Exempted New CCT and their respective Proposed Caps and taking into account the information contained in the Circular and the advice of GF Capital, we are of the opinion that each of the Non-Exempted New CCT Agreements, the transactions contemplated thereunder and their respective Proposed Caps are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of all the ordinary resolutions to be put forward at the EGM to approve each of the Non-Exempted New CCT and its respective Proposed Caps.

Yours faithfully,

Mr. Thomas TAM

Mr. PAO Ping Wing

Ms. ZHENG Lin

Independent Non-executive Directors

* For identification purposes only

LETTER FROM GF CAPITAL

The following is the text of the letter of recommendation to the Independent Board Committee and the Independent Shareholders from the independent financial adviser which has been prepared for inclusion in this circular.



29–30/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

31 October 2014

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Non-Exempted New CCT Agreements and the transactions contemplated thereunder (including the relevant Proposed Caps), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of this circular to the Shareholders dated 31 October 2014 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Letter from the Board, the Non-Exempted New CCT (i.e. New CCT falling within the categories of (i) sales of cable, power cord and relevant components to the Connected Purchaser Group; (ii) supply of finished external and internal signal cable assembly by the Connected Vendor Group; and (iii) provision of cross Guarantee on banking facilities) are subject to reporting, announcement, annual review and approval by the Independent Shareholders requirements under Rule 14A.76(2) of the Listing Rules, as the respective applicable percentage ratios under the Listing Rules exceeds 5% and the corresponding Proposed Caps exceed HK\$10 million.

LETTER FROM GF CAPITAL

Mr. Chi (being the substantial Shareholder, the chairman and the chief executive officer of the Company and an executive Director who is interested in approximately 13.5% interests of the Company as at the Latest Practicable Date) is the controlling shareholder of Connected Group (except Changshu Cable), whilst Mr. Jiang (who was a director of the Company in the 12 months preceding the date of the Non-Exempted New CCT Agreements) is the controlling shareholder of Changshu Cable. Accordingly, Mr. Chi, Mr. Jiang and each member of Connected Group are considered to be connected persons of the Company as at the date of the Non-Exempted New CCT Agreements under Chapter 14A of the Listing Rules. The entering into the Non-Exempted New CCT Agreements and the transactions contemplated thereunder will constitute non-exempted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years up to the Latest Practicable Date, we acted as an independent financial adviser in three occasions to the independent board committee and the Independent Shareholders of the Company in relation to its (1) non-exempt continuing connected transactions (details of which were set out in the circular of the Company dated 11 November 2013); (2) very substantial disposal and connected transaction (details of which were set out in the circular of the Company dated 27 June 2013); and (3) major and connected transaction in relation to the acquisition of the entire issued share capital of Rosy Sun Investments Limited (details of which were set out in the circular of the Company dated 31 December 2012). Apart from normal professional fee paid to us in connection with such appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the aforesaid transactions, and therefore we consider such prior relationship would not affect our independence.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors and/or management of the Company were true, accurate and complete in all material aspects at the time they were made and continue to be true, accurate and complete in all material aspects as at the date of the Circular. We have also relied on our discussion with the Directors and/or management of the Company regarding the Company and the terms of the Non-Exempted New CCT Agreements. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and/or management of the Company respectively in the Circular were reasonably made after due enquiry.

LETTER FROM GF CAPITAL

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or management of the Company. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Connected Purchaser Group, Connected Vendor Group, Connected Guarantee Group, and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the Non-Exempted New CCT Agreements (including the relevant Proposed Caps), we have considered the following principal factors and reasons:

1. Background of and reasons for the New CCT

As set out in the Letter from the Board, the Group is principally engaged in the manufacture and sales of power cord assembly, signal transmission wire and cable products, automotive wiring harness, telecommunication products and other related products and the provision of services for the construction of base station for telecommunication networks. Before Disposal Completion, the businesses of the Group relating to the manufacture and sales of signal cable assembly, connectors, antennas and substantial part of signal transmission wire and cable products are mainly conducted by certain former members of the Group which have been disposed of pursuant to the Disposal. Intragroup transactions (such as sales and purchase of finished goods, lease of property and provision of utility services and trading services) and the financial assistance (such as provision of reciprocal Guarantee on banking facilities) (in particular, between the Group and Jia Ya Group) have been carried out on an ongoing basis and certain of them cannot be terminated upon Disposal Completion. As such, the Group and certain members of Jia Ya Group entered into the Existing CCT Agreements on 29 October 2013 to continue with the then pre-existing business arrangement. The Existing CCT Agreements and the transactions contemplated thereunder were approved (as appropriate) at an extraordinary general meeting of the Company held on 26 November 2013 by way of poll.

In view that the Existing CCT Agreements will expire on 31 December 2014, and the Company expects that the Existing CCT may not be completely segregated in near future, the Company and Connected Group propose to continue with the Existing CCT by entering into the New CCT Agreements.

(A) New Master Sale Agreement and (B) New Master Purchase Agreement

The Group has been transacting with its major customers with supplier codes assigned by those customers for identification purpose. These supplier codes are unique and they have been held by different subsidiaries of the Group. Before Disposal

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Completion, it is one of the internal processes of the Group to sell products of a subsidiary to another subsidiary which owns the relevant supplier codes who in turn resell such products to the ultimate customers. However, after Disposal Completion, some supplier codes continue to be held by the Group whereas some other supplier codes are held by Connected Group. The Group has tried to retrieve or transfer the existing supplier codes or reapply new supplier codes in order to eliminate the potential continuing connected transactions between the Group and Connected Group, and Connected Group has obtained a replacement supplier code after Disposal Completion for direct transactions with its ultimate customer. However, some supplier codes are not transferrable and customers may take a long time to process the application for new supplier codes. In light of the abovementioned, the Group and Connected Group decide to continue to use these supplier codes held by each other so as to continue the business with their respective ultimate customers after the expiry of the Existing Master Sale Agreement and the Existing Master Purchase Agreement.

The Group manufactured and sold finished cable in its ordinary course of business before Disposal Completion and certain portion of the raw cable was manufactured by Weihai Electronic. During the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014, Weihai Electronic supplied raw cable to Connected Purchaser Group for its onward processing pursuant to the Existing Master Sale Agreement and the Group intends to continue with the sales to relevant members of Connected Purchaser Group after the expiry of the Existing Master Sale Agreement where the prices offered to Connected Group, from the Group's perspective, are no less favourable than those to other independent customers.

(C) New Cross Guarantee Agreement

With the tightening of the bank lending regulations in the PRC, it has been a common practice for banks in the PRC to request either guarantee or securities to secure banking facilities granted to borrowers.

Each member of HL Guarantee Group and Connected Guarantee Group (except Chongqing Linbo) is a subsidiary of the Group before Disposal Completion and most of the members of HL Guarantee Group and Connected Guarantee Group have been providing reciprocal Guarantee to companies within the Group on the banking facilities of each other on an ongoing basis so as to facilitate their operation and business development. Since HL Guarantee Group has difficulty in obtaining sufficient banking facilities in light of the scale of its fixed assets (e.g. land and properties), HL Guarantee Group entered into the Existing Cross Guarantee Agreement with Connected Guarantee Group pursuant to which HL Guarantee Group and Connected Guarantee Group have obtained the corporate guarantee provided by each other on their respective banking facilities. Each of the relevant banking facilities of HL Guarantee Group and of Connected Guarantee Group have been utilised as a supplement to their working capital and basic construction and maintenance of fixed assets. As certain members of Connected Guarantee Group will also have business relationship with the Group, the Board believes

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that the Group will be able to benefit from the financing as guaranteed by Connected Guarantee Group pursuant to the New Cross Guarantee Agreement as well as the continuation of business relation with Connected Guarantee Group pursuant to other New CCT Agreements.

Based on the foregoing, we concur with the Directors' view that there is a justifiable commercial rationale for the Company to enter into (A) the New Master Sale Agreement, (B) the New Master Purchase Agreement and (C) the New Cross Guarantee Agreement in order to continue with certain existing intragroup transactions between the Group and the Connected Group after Disposal Completion, which are in the ordinary and usual course of business of the Group.

2. Principal terms of the Non-Exempted New CCT Agreements

On 10 October 2014, HL Vendor Group and Connected Purchaser Group entered into the New Master Sale Agreement to continue with the sale of cable, power cord and relevant components by HL Vendor Group (and its respective subsidiaries from time to time) to Connected Purchaser Group (and its respective subsidiaries from time to time) and the use of supplier codes held by Connected Purchaser Group to ultimate customers under the Existing Master Sale Agreement, subject to the approval of the Independent Shareholders, for a period commencing from 1 January 2015 or the date of fulfilment of all conditions precedent to the New Master Sale Agreement (whichever is later), to 31 December 2015.

On 10 October 2014, Connected Vendor Group and HL Purchaser Group entered into the New Master Purchase Agreement to continue with the sale of finished external and internal signal cable assembly by Connected Vendor Group (and its respective subsidiaries from time to time) to HL Purchaser Group (and its respective subsidiaries from time to time) and the use of supplier codes held by HL Purchaser Group to ultimate customers under the Existing Master Purchase Agreement, subject to the approval of the Independent Shareholders, for a period commencing from 1 January 2015 or the date of fulfilment of all conditions precedent to the New Master Purchase Agreement (whichever is later), to 31 December 2015.

On 10 October 2014, HL Guarantee Group and Connected Guarantee Group entered into the New Cross Guarantee Agreement to continue with the existing arrangement on the provision of Guarantee on banking facilities of the parties, pursuant to which (i) HL Guarantee Group (and its respective subsidiaries from time to time) will, on a non-commitment basis and subject to conditions, provide Guarantee on banking facilities of Connected Guarantee Group (and its respective subsidiaries from time to time) for an aggregate revolving amount not exceeding RMB570 million (approximately HK\$719 million); and (ii) Connected Guarantee Group (and its respective subsidiaries from time to time) will, on a non-commitment basis and subject to conditions, provide Guarantee on banking facilities of HL Guarantee Group (and its respective subsidiaries from time to time) for an aggregate revolving amount not exceeding RMB740 million (approximately HK\$934 million) for the financial year ending 31 December 2015, each for a period commencing from 1 January 2015 or the date of fulfilment of all conditions precedent to the New Cross Guarantee Agreement (whichever is later), to 31 December 2015.

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We analyse the key terms of each of (A) the New Master Sale Agreement, (B) the New Master Purchase Agreement and (C) the New Cross Guarantee Agreement in the ensuing sections, in relation to the aspects of (I) Proposed Caps, (II) Pricing, and (III) Settlement.

(I) Proposed Caps

As our due diligence exercise, we have obtained from the Company a breakdown of the actual historical amounts, the approved caps for the Existing CCT (the “**Existing Caps**”) and the Proposed Caps of the Non-Exempted New CCT, from 2012 to 2015 in the table below:

		Actual historical amounts			Existing Caps		Proposed
		For the year ended/ending 31 December			2013	2014	Caps
RMB' 000		2012	2013	2014*	2013	2014	2015
		(unaudited)					
A.	A.1	75,188	71,458	61,803	75,000	200,000	100,000
Sales to	Cable						
Connected	<i>Growth %/(Cap utilisation %)</i>	<i>N/A</i>	<i>-5%</i>	<i>N/A</i>	<i>(95%)</i>	<i>(46%)[#]</i>	<i>-50%</i>
Purchaser	A.2	111,448	77,890	49,366	80,000	90,000	80,000
Group	Power cord and relevant components						
	<i>Growth %/(Cap utilisation %)</i>	<i>N/A</i>	<i>-30%</i>	<i>N/A</i>	<i>(97%)</i>	<i>(82%)[#]</i>	<i>-11%</i>
	Total (relevant fee for using supplier codes held by Connected Purchaser Group)	186,636	149,348	111,168	155,000	290,000	180,000
					<i>(800)</i>	<i>(900)</i>	<i>(800)</i>
	<i>Growth %/(Cap utilisation %)</i>	<i>N/A</i>	<i>-20%</i>	<i>N/A</i>	<i>(96%)</i>	<i>(58%)[#]</i>	<i>-38%</i>
B.	B.1	19,154	43,997	54,803	60,000	150,000	100,000
Supply by	Finished external signal						
Connected	cable assembly						
Vendor	<i>Growth %/(Cap utilisation %)</i>	<i>N/A</i>	<i>+130%</i>	<i>N/A</i>	<i>(73%)</i>	<i>(55%)[#]</i>	<i>-33%</i>
Group	B.2	388	42,843	12,544	42,000	52,000	10,000
	Finished internal signal						
	cable assembly						
	<i>Growth %/(Cap utilisation %)</i>	<i>N/A</i>	<i>+10,942%</i>	<i>N/A</i>	<i>(102%)</i>	<i>(36%)[#]</i>	<i>-81%</i>
	Total (relevant fee for using supplier codes held by HL Purchaser Group)	19,542	86,840	67,347	102,000	202,000	110,000
					<i>(1,020)</i>	<i>(2,020)</i>	<i>(1,100)</i>
	<i>Growth %/(Cap utilisation %)</i>	<i>N/A</i>	<i>+344%</i>	<i>N/A</i>	<i>(85%)</i>	<i>(50%)[#]</i>	<i>-46%</i>

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		Actual historical amounts			Existing Caps		Proposed
		For the year ended/ending 31 December					Caps
RMB' 000		2012	2013	2014*	2013	2014	2015
		(unaudited)	(unaudited)	(unaudited)			
C.	C.1	231,887	403,195	447,076	415,000	475,000	570,000
Reciprocal	Guarantee provided by HL	(156,051)	(378,466)	(342,440)	9,960	11,400	13,680
Guarantee	Guarantee Group to						
on banking	Connected Guarantee						
facilities	Group (aggregate of highest						
	level of indebtedness during						
	the guarantee period)						
	Guarantee fee charged by						
	HL Guarantee Group						
	Growth %	N/A	+74%	+11%	N/A	+14%	+20%
	Cap utilisation %		(+143%)	(-10%)	97%	94%	
	Proportion % of highest level	N/A	91%	72%	N/A	N/A	N/A
	of indebtedness to the						
	Existing Cap						
	Proportion % of the	9%	16%	18%	17%	19%	23%
	Guarantee over the Group's						
	unaudited total assets of						
	RMB2,488,556,000 as at 30						
	June 2014						
	C.2	326,000	446,000	446,000	736,000	856,000	740,000
	Guarantee provided by	(250,594)	(639,748)	(342,045)	14,132	16,436	14,208
	Connected Guarantee						
	Group to HL Guarantee						
	Group (aggregate of highest						
	level of indebtedness during						
	the guarantee period)						
	Guarantee fee charged by						
	Connected Guarantee Group						
	Growth %	N/A	+37%	Nil	N/A	+16%	-14%
	Cap utilisation %		(+155%)	(-47%)	61%	52%	
	Proportion % of highest level	N/A	87%	40%	N/A	N/A	N/A
	of indebtedness to the						
	Existing Cap						
	Proportion % of the	13%	18%	18%	30%	34%	30%
	Guarantee over the Group's						
	unaudited total assets of						
	RMB2,488,556,000 as at 30						
	June 2014						

* For the eight months ended 31 August 2014

On annualised basis based on the historical amount for the eight months ended 31 August 2014

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In determining the Proposed Caps of the Non-Exempted New CCT for the financial year ending 31 December 2015, the Board has determined its estimates based on the sales forecast and historical transaction amounts. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand, are set out as below:

(A) New Master Sale Agreement and (B) New Master Purchase Agreement

- (i) the actual transacted quantities and amounts for the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014 respectively:

Our analysis on

(A) New Master Sale Agreement

(B) New Master Purchase Agreement

As illustrated in the table above, we note that the Proposed Cap of RMB180,000,000 for the year ending 31 December 2015 represents a reduction of approximately 38% from the Existing Cap of RMB290,000,000 for the year ending 31 December 2014. We consider that the Proposed Cap to be sought of RMB180,000,000 for the year ending 31 December 2015 is reasonable based on the latest actual historical sales amount, especially taking into account:

- (1) the historical sales amount recorded a reduction of approximately 20% from approximately RMB186,636,000 for the year ended 31 December 2012 to approximately RMB149,348,000 for the year ended 31 December 2013;

As illustrated in the table above, we note that the Proposed Cap of RMB110,000,000 for the year ending 31 December 2015 represents a reduction of approximately 46% from the Existing Cap of RMB202,000,000 for the year ending 31 December 2014. We consider that the Proposed Cap to be sought of RMB110,000,000 for the year ending 31 December 2015 is reasonable based on the latest actual historical purchase amount, especially taking into account:

- (1) the relevant projected purchase amount of approximately RMB101,020,000 for the year ending 31 December 2014 (on a pro-rata basis of 12 / 8 based on the actual purchase amount of approximately RMB67,347,000 for the eight months ended 31 August 2014) represents an increase of approximately 16% over the actual historical purchase amount of approximately RMB86,840,000 for the year ended December 2013;

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- (2) the relevant projected sales amount of approximately RMB166,752,000 for the year ending 31 December 2014 (on a pro-rata basis of 12 / 8 based on the actual sales amount of approximately RMB111,168,000 for the eight months ended 31 August 2014) represents an increase of approximately 12% over the actual historical sales amount of approximately RMB149,348,000 for the year ended December 2013;
- (3) the Existing Cap of RMB290,000,000 was only utilised as to approximately 38% based on the historical sales amount of approximately RMB111,168,000 for the eight months ended 31 August 2014 (or only approximately 58% of the relevant projected sales amount of approximately RMB166,752,000 for the year ending 31 December 2014 (on a pro-rata basis of 12/8 based on the actual sales amount of RMB111,168,000 for the eight months ended 31 August 2014)); and
- (4) the Proposed Cap of RMB180,000,000 for the year ending 31 December 2015 represents an increase of approximately 8% over the relevant projected sales amount of approximately RMB166,752,000 for the year ending 31 December 2014 (on a pro-rata basis of 12 / 8 based on the actual sales amount of approximately RMB111,168,000 for the eight months ended 31 August 2014).
- (2) the Existing Cap of RMB202,000,000 was only utilised as to approximately 33% based on the historical purchase amount of approximately RMB67,347,000 for the eight months ended 31 August 2014 (or only approximately 50% of the relevant projected purchase amount of approximately RMB101,020,000 for the year ending 31 December 2014 (on a pro-rata basis of 12 / 8 based on the actual purchase amount of approximately RMB67,347,000 for the eight months ended 31 August 2014)); and
- (3) the Proposed Cap of RMB110,000,000 for the year ending 31 December 2015 represents an increase of approximately 9% compared to the relevant projected purchase amount of approximately RMB101,020,000 for the year ending 31 December 2014 (on a pro-rata basis of 12 / 8 based on the actual purchase amount for the eight months ended 31 August 2014).

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- (ii) the anticipated change in ultimate customers' demand on the products of HL Vendor Group (A2) and Connected Vendor Group (B1 and B2) and the need of using relevant supplier codes held by Connected Purchaser Group (A2) and HL Purchaser Group (B1 and B2):

Our analysis on

(A) New Master Sale Agreement

In respect of the anticipated change in ultimate customers' demand on the products of HL Vendor Group, we have enquired and have been explained by the management of the Company that for the year ended 31 December 2013, the demand and historical sales amount of cable, power cord and relevant components of approximately RMB149,348,000 was close to the estimated amount of RMB155,000,000 under the relevant Existing Cap for the year ended 31 December 2013.

Notwithstanding that the actual historical sales amount of approximately RMB111,168,000 for the eight months ended 31 August 2014 is significantly lower than the then estimated amount under the relevant Existing Cap of RMB290,000,000 for the year ending 31 December 2014, the shortfall is mainly attributable to the reduction in sales of cable to Connected Purchaser Group, for which the projected sales of cable of approximately RMB92,704,000 (on a pro-rata basis of 12 / 8 based on the actual sales amount of approximately RMB61,803,000 for the eight months ended 31 August 2014) merely attains about 46% of the estimated cable sales of RMB200,000,000 for the year ending 31 December 2014.

(B) New Master Purchase Agreement

In respect of the anticipated change in ultimate customers' demand on the products of Connected Vendor Group, we have enquired and have been explained by the management of the Company that during the year ending 31 December 2014, the ultimate customers of Connected Vendor Group are shifting their product mix from low-end external signal cable assembly to those with higher-end specifications and prices. In response, the Connected Vendor Group is also shifting its product mix of external signal cable assembly to meet the ultimate customers' demand. However, as the Connected Vendor Group's sales of those higher-end external signal cables is at a developing stage in 2014, and coupled with an actual substantial reduction of Connected Vendor Group's ultimate customers' orders on low-end external signal cable assembly, the relevant projected purchase amount of HL Purchaser Group of approximately RMB82,204,000 for the year ending 31 December 2014 (on a pro-rata basis of 12 / 8 based on the actual purchase amount of approximately RMB54,803,000 for the eight months ended 31 August 2014) only accounts for approximately 55% of the estimated purchase amount under the relevant Existing Cap of RMB150,000,000 for the year ending 31 December 2014. In light of the above, the management of the Company readjust the estimated purchase amount to RMB100,000,000 (which is similar to the current level of approximately RMB82,204,000 on annualised basis) for the year ending 31 December 2015, after taking into consideration of the potential growth on the higher-end external signal cable assembly.

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By contrast, the projected sales of power cord and relevant components through the Connected Purchaser Group of approximately RMB74,048,000 (on a pro-rata basis of 12 / 8 based on the actual sales amount of approximately RMB49,366,000 for the eight months ended 31 August 2014) manages to attain approximately 82% of the then estimated power cord sales amount of RMB90,000,000 for the year ending 31 December 2014. Therefore, the management of the Company estimates that the demand of power cord and relevant components from HL Vendor Group's ultimate customers for the year ending 31 December 2015 will be RMB80,000,000 (which is similar to the current level of approximately RMB74,048,000 on annualised basis) in the absence of unforeseeable circumstances.

For the (A2) relevant fee for using supplier codes held by Connected Purchaser Group, we have enquired and have been explained by the management of the Company that as to RMB800,000 for the financial year ending 31 December 2015 are derived from the supplier code fee of 1% as multiplied solely by the second product category (namely, (A2) power cord and relevant components) of RMB80,000,000 for the same year, excluding the first product category (namely, (A1) cable) because HL Vendor Group is selling raw cable to Connected Purchaser Group for Connected Purchaser Group's own onward processing without necessitating to use the supplier codes held by Connected Purchaser Group and without designating the end-customers of HL Vendor Group through Connected Purchaser Group.

For internal signal cable assembly, upon our enquiry, we understand from the management of the Company that the specifications of internal signal cable assembly required by the ultimate customers usually change every year. Meanwhile, Connected Vendor Group managed to have obtained one new supplier code for internal signal cable assembly from its ultimate customer during the year ending 31 December 2014. Accordingly, the Connected Vendor Group's transactions of internal signal cable assembly for the purpose of using the supplier codes held by HL Purchaser Group actually scaled down for the eight months ended 31 August 2014. For internal signal cable assembly, the management of the Company estimates that such type of purchase transaction will further reduce to RMB10,000,000 (which is similar to the current level of approximately RMB18,816,000 on annualised basis) (i.e. the projected purchase on a pro-rata basis of 12 / 8 based on the actual purchase amount of approximately RMB12,544,000 for the eight months ended 31 August 2014) for the year ending 31 December 2015.

For the (B1 and B2) relevant fee for using supplier codes held by HL Purchaser Group, we have enquired and have been explained by the management of the Company that as to RMB1,100,000 for the financial year ending 31 December 2015 are derived from the supplier code fee of 1% as multiplied solely by the anticipated transaction amount of RMB110,000,000 under the New Master Purchase Agreement.

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- (iii) (A1) the anticipated change in purchase volume of Connected Purchaser Group to meet its production target:

Our analysis on (A) New Master Sale Agreement

In respect of the HL Vendor Group's sales of cable to Connected Purchaser Group for further processing, we note that the actual sales amount of cable of approximately RMB61,803,000 for the eight months ended 31 August 2014 only accounts for about 31% of the estimated sales for the year, or about 46% on annualised basis.

Upon reviewing the actual historical sales components provided by the Company, we notice that the actual cable sales quantity for the eight months ended 31 August 2014 to the Connected Purchaser Group merely accounts for slightly more than one-third of the estimated annual cable sales quantity, together with average unit price being approximately 15% lower than the estimated level. We have enquired and have been explained by the management of the Company that the sales of such type of cable product are experiencing a substantial shortfall from the expected level for the year ending 31 December 2014, mainly due to keen market competition on the end products of Connected Purchaser Group since the first half of 2014. Under such market condition, cable manufacturers are facing pressure from customers on price reduction and production quantity downsizing, which in turn lowered the procurement of raw cables. Based on such trend in 2014, the management of the Company estimates that the unit price will further reduce for the year ending 31 December 2015, which would result in the estimated cable sales level of RMB100,000,000 (which is similar to the current level of approximately RMB92,704,000 on annualised basis) after accounting for an offsetting increase in the estimated sales quantity to the Connected Purchaser Group.

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(iv) the prevailing and anticipated unit price of the products to be transacted:

Our analysis on

(A) New Master Sale Agreement

(B) New Master Purchase Agreement

Upon comparison, it comes to our attention that each of the estimated average unit prices of (A1) cable and (A2) power cord and relevant component for the financial year ending 31 December 2015 are (A1) approximately 17% less than (due to keen market competition) and (A2) approximately 2% more than the actual historical average unit price for the eight months ended 31 August 2014, respectively.

Upon comparison, it comes to our attention that each of the estimated average unit prices of (B1) finished external signal cable assembly and (B2) finished internal signal cable assembly for the financial year ending 31 December 2015 are (B1) approximately 31% more than (due to the shift to higher-end product mix) and (B2) approximately 5% less than the actual historical average unit price for the eight months ended 31 August 2014, respectively.

Based on our above analysis, and given further that

- (A) the Proposed Cap to be sought of RMB180,000,000 under the New Master Sale Agreement merely represents roughly 9% of the current level of the Group's total annual sales of approximately RMB2,030,482,000 on annualised basis (i.e. the projected level on a pro-rata basis of 12/6 based on the actual unaudited total sales of approximately RMB1,015,241,000 for the six months ended 30 June 2014) for the year ending 31 December 2014; and
- (B) the Proposed Cap to be sought of RMB110,000,000 under the New Master Purchase Agreement represents approximately 5% of the current level of the Group's total annual sales of approximately RMB2,030,482,000 on annualised basis (i.e. the projected level on a pro-rata basis of 12/6 based on the actual unaudited total sales of approximately RMB1,015,241,000 for the six months ended 30 June 2014) for the year ending 31 December 2014,

we consider that the Proposed Caps under each of the New Master Sale Agreement and the New Master Purchase Agreement have been arrived at on an acceptable and pre-determined basis.

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(C) *New Cross Guarantee Agreement*

- (i) the amount guaranteed by each other of HL Guarantee Group and Connected Guarantee Group for the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014 respectively:

Our analysis on	
C.1	C.2
Guarantee provided by HL Guarantee Group to Connected Guarantee Group	Guarantee provided by Connected Guarantee Group to HL Guarantee Group
<p>As illustrated in the table above, we note that the relevant latest actual historical guarantee amount of approximately RMB447,076,000 as at 31 August 2014 already accounts for approximately 94% of the Existing Cap of RMB475,000,000 for the year ending 31 December 2014. On such basis, we consider the Proposed Cap to be sought of RMB570,000,000 for the year ending 31 December 2015 is not excessive based on the latest actual historical amount, especially taking into account:</p> <ol style="list-style-type: none"> (1) the growth rate of the historical guarantee amount of approximately +74% as at 31 December 2013 (over that as at 31 December 2012) and of approximately +11% as at 31 August 2014 (over that as at 31 December 2013); (2) the actual historical upward trend of actual historical guarantee amount from 2012 to 31 August 2014; and (3) the compound annual growth rate of actual historical guarantee amount to Connected Guarantee Group of approximately +48% from 2012 to 31 August 2014 is much higher than the growth rate of the Proposed Cap of RMB570,000,000 to be sought of +20% for 2015 (from RMB475,000,000 for 2014). 	<p>As illustrated in the table above, we note that the relevant latest actual historical guarantee amount of approximately RMB446,000,000 as at 31 August 2014 accounts for 52% of the Existing Cap of RMB856,000,000 for the year ending 31 December 2014. On such basis, we consider the Proposed Cap to be sought of RMB740,000,000 for the year ending 31 December 2015 is not excessive based on the latest actual historical amount, especially taking into account:</p> <ol style="list-style-type: none"> (1) the actual historical upward trend of actual historical guarantee amount from 2012 to 31 August 2014; (2) the compound annual growth rate of actual historical guarantee amount to HL Guarantee Group of approximately +21% from 2012 to 31 August 2014 is much higher than the growth rate of the Proposed Cap of RMB740,000,000 to be sought of -14% for 2015 (from RMB856,000,000 for 2014); and (3) the actual guarantee amount of RMB446,000,000 as at 31 August 2014 fell short of the Proposed Cap of RMB856,000,000 for the year ending 31 December 2014, which is explained by the management of the Company as mainly due to (a) the change of a bank's policy lowering the requirement on guarantee provided by the Connected Guarantee Group on HL Guarantee Group's banking facilities; and (b) that the applications of certain banking facilities were not accepted during the eight months ended 31 August 2014.

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- (ii) the historical level of indebtedness of each of HL Guarantee Group and Connected Guarantee Group pursuant to the relevant guarantee for the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014 respectively:

Our analysis on

C.1	C.2
Guarantee provided by HL Guarantee Group to Connected Guarantee Group	Guarantee provided by Connected Guarantee Group to HL Guarantee Group
<p>As illustrated in the table above, we note that</p> <p>(1) the historical growth rate of approximately 143% of the aggregate of highest level of indebtedness incurred by Connected Guarantee Group pursuant to the guarantee for the year ended 31 December 2013 of approximately RMB378,466,000 (than approximately RMB156,051,000 for 2012);</p> <p>(2) the relevant actual historical aggregate of highest level of indebtedness of Connected Guarantee Group pursuant to the relevant guarantee of approximately RMB378,466,000 for the year ended 31 December 2013 already accounts for approximately 91% of the Existing Cap of RMB415,000,000 for the year ended 31 December 2013; and</p> <p>(3) the relevant actual historical aggregate of highest level of indebtedness of Connected Guarantee Group pursuant to the relevant guarantee of approximately RMB342,440,000 for the eight months ended 31 August 2014 already accounts for approximately 72% of the Existing Cap of RMB475,000,000 for the year ending 31 December 2014.</p>	<p>As illustrated in the table above, we note that</p> <p>(1) the historical growth rate of approximately 155% of the aggregate of highest level of indebtedness incurred by HL Guarantee Group pursuant to the guarantee for the year ended 31 December 2013 of approximately RMB639,748,000 (than approximately RMB250,594,000 for 2012);</p> <p>(2) the relevant actual historical aggregate of highest level of indebtedness of HL Guarantee Group pursuant to the relevant guarantee of approximately RMB639,748,000 for the year ended 31 December 2013 already accounts for approximately 87% of the Existing Cap of RMB736,000,000 for the year ended 31 December 2013; and</p> <p>(3) the relevant actual historical aggregate of highest level of indebtedness of HL Guarantee Group pursuant to the relevant guarantee of approximately RMB342,045,000 for the eight months ended 31 August 2014 accounts for approximately 40% of the Existing Cap of RMB856,000,000 for the year ending 31 December 2014.</p>

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- (iii) the anticipated demand of capital for HL Guarantee Group and Connected Guarantee Group taking into account their respective operational need and production target:

Our analysis on

C.1

Guarantee provided by HL Guarantee Group to Connected Guarantee Group

We note that the Proposed Cap of RMB570,000,000 for the year ending 31 December 2015 represents an increase of RMB122,924,000 over the actual guarantee amount of RMB447,076,000 as at 31 August 2014. In this regard, we have discussed with the management of the Company and understood that the increase of the relevant Proposed Cap is mainly due to capital needs for the development of new business of Connected Guarantee Group, of which RMB40,000,000 is attributable to such increase in the Proposed Cap, whereas the remaining is mainly because of the increase in the capital requirement of a member of Connected Guarantee Group for the year ending 31 December 2015.

Upon reviewing the working capital budget of that member of Connected Guarantee Group for the year ending 31 December 2015, we notice that there is a working capital gap which, as expressed by the management of the Company, is expected to be financed by bank borrowing and guaranteed by the HL Guarantee Group as to certain portion.

C.2

Guarantee provided by Connected Guarantee Group to HL Guarantee Group

We note that the Proposed Cap of RMB740,000,000 for the year ending 31 December 2015 represents an increase of RMB294,000,000 over the actual guarantee amount of RMB446,000,000 as at 31 August 2014. In this regard, we have discussed with the management of the Company and understood that the increase of the relevant Proposed Cap has been taken into consideration of a number of new bank loans in the process of application. Such bank loans are mainly to replenish the working capital of the HL Guarantee Group for the year ending 31 December 2015, and the aggregate amount of such potential bank loans is comparable to the increment in the Proposed Cap.

Upon reviewing the working capital budget of the HL Guarantee Group for the year ending 31 December 2015, we notice that there is working capital gap which, as expressed by the management of the Company, is expected to be financed by bank borrowing and guaranteed by the Connected Guarantee Group as to certain portion.

In assessing the financial health of Connected Guarantee Group (for which HL Guarantee Group will provide Guarantee on its banking facilities pursuant to the New Cross Guarantee Agreement), we have reviewed the unaudited management accounts of members of Connected Guarantee Group as at 31 August 2014 (being the latest available date of financial position), and we note that the net assets and the cash balance of Connected Guarantee Group are comparable to the amount of existing guarantee provided by HL Guarantee Group (of RMB447,076,000). Based on the aforesaid financial position of Connected Guarantee Group, and assuming that such financial position of Connected

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Guarantee Group will not have material adverse change, we understand from the management of the Company that Connected Guarantee Group is expected to be able to fulfill its repayment obligations should they become due.

Based on our above analysis, and given further that

- (A) the Proposed Caps to be sought under the Guarantee provided to (and for the benefit of) HL Guarantee Group (being (C2) RMB740,000,000 for the financial year ending 31 December 2015) exceeds the reciprocal Guarantee provided by (and at the expense of) HL Guarantee Group (being (C1) RMB570,000,000 for the financial year ending 31 December 2015); and
- (B) the Proposed Caps to be sought under the Guarantee provided to Connected Guarantee Group and the Guarantee provided by Connected Guarantee Group account for not more than 23% and 30% of the Group's latest published unaudited total assets of RMB2,488,556,000 as at 30 June 2014, respectively,

we consider that the Proposed Caps under the New Cross Guarantee Agreement have been arrived at on an acceptable and pre-determined basis.

The Proposed Caps were determined by the management based on assumptions including current estimation of the demand from customers, market conditions and internal budget. Accordingly, we express no opinion as to how closely the actual transaction amounts of the Non-Exempted New CCT would be in comparison to the Proposed Caps.

(II) Pricing

Pursuant to both of the New Master Sale Agreement and the New Master Purchase Agreement, the pricing for products are to be transacted on normal commercial terms and based upon the market price on a fair and reasonable basis, and, from the Group's perspective, shall in principle be on terms no less favourable than terms available to/from independent third parties. For (A1) products to be sold to Connected Purchaser Group solely for its onward processing without the use of its supplier codes, the pricing will be determined with reference to available quotations of and/or contracts with third party customers for similar products. For (A2) products to be sold to Connected Purchaser Group solely for its onward sales using its supplier codes, the pricing will be based on the price negotiated between and agreed by HL Vendor Group and its ultimate third party customers. For (B1) and (B2) products, pricing of the products to be transacted will be based on the price negotiated between and agreed by Connected Vendor Group and its ultimate third party customers. Pricing will be agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations. We have obtained and reviewed the Company's internal policy relating to the management and monitoring of connected transactions (including continuing connected transactions). We note that under such policy, the sales/procurement

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department will compare the terms of continuing connected transactions with those of the similar transactions between independent third parties before execution of the relevant sales/purchase orders or contracts. If the sales/procurement department discovers the terms of the proposed sales/purchase orders or contracts are less favourable than terms available to/from independent third parties (from the Group's perspective), the sales/procurement department is required to report to senior management and seek further instruction. The finance department of the Company will review and cross-check the terms of continuing connected transactions with those of the similar transactions between independent third parties monthly. In the event that the finance department discovered the actual terms of certain continuing connected transactions were less favourable than terms available to/from independent third parties (from the Group's perspective) during the monthly review, the finance department will be required to report to senior management and senior management would consider and determine what actions need to be taken to rectify such transactions.

(A) New Master Sale Agreement

For (A1) transactions, we have reviewed price quotations/contracts for the sale by HL Vendor Group to (i) Connected Purchaser Group and (ii) the independent third party customers of the similar cable (for onward processing without using any supplier codes held by Connected Purchaser Group) in 2014 (which are advised by the Company as representative samples). Upon comparison, we note that the prevailing unit pricing per product under the New Master Sale Agreement were not lower than those terms available to the independent third party customers, and hence were on normal commercial terms.

For (A2) transactions which we understand from the management of the Company are solely for the purpose of using supplier codes held by Connected Purchaser Group to sell the relevant products to the ultimate customers of HL Vendor Group, we have been confirmed by the Company that the prevailing unit pricing per product of power cord and relevant components have been and will be "at cost" (without any mark-up margin) between (i) the sale by HL Vendor Group to Connected Purchaser Group and (ii) the onward sale by Connected Purchaser Group to the ultimate customers of HL Vendor Group.

If transactions pursuant to the New Master Sale Agreement are solely for the purpose of using any supplier codes held by Connected Purchaser Group to sell the relevant products to the ultimate customers of HL Vendor Group, a fee based on the relevant sales amount to the ultimate customers will be charged to HL Vendor Group, to be determined based on comparable transactions in the market, or where there are no such comparable transactions, on terms no less favourable than terms available by independent third parties. The fee is agreed as 1% of the sales amount pursuant to the New Master Sale Agreement.

We have reviewed price quotations/contracts for the sale by HL Vendor Group to (i) Connected Purchaser Group and (ii) the independent third party supplier code

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provider of the similar power cord and relevant components in 2012 (which are advised by the Company as representative samples). Upon comparison, we note that the prevailing supplier code fee of 1% as agreed under the New Master Sale Agreement were not higher than those available from the independent supplier code providers, and hence were on normal commercial terms.

(B) New Master Purchase Agreement

We have been confirmed by the Company that both (B1) and (B2) transactions are solely for the purpose of using supplier codes held by HL Purchaser Group to sell the relevant products to the ultimate customers of Connected Vendor Group. Hence, we have been reaffirmed by the Company that the prevailing unit pricing per product of finished external and internal signal cable assembly have been and will be “at cost” (without any mark-up margin) between (i) the sale by Connected Vendor Group to HL Purchaser Group and (ii) the onward sale by HL Purchaser Group to the ultimate customers of Connected Vendor Group.

If transactions pursuant to the New Master Purchase Agreement are solely for the purpose of using any supplier codes held by HL Purchaser Group to sell the relevant products to the ultimate customers of Connected Vendor Group, a fee based on the relevant sales amount to the ultimate customers will be charged to Connected Vendor Group, to be determined based on comparable transactions in the market, or where there are no such comparable transactions, on terms no less favourable than terms available to independent third parties. The fee is agreed as 1% of the sales amount pursuant to the New Master Purchase Agreement.

Upon enquiry, we have been confirmed by the Company that actually HL Purchaser Group has never provided supplier code service to any independent third party vendor in consideration for fee income receivable based on the relevant sales amount to the ultimate customers of such independent third party vendor. Accordingly, we have resorted to review price quotations/contracts for the sale by HL Vendor Group to (i) Connected Purchaser Group and (ii) the independent third party supplier code provider of the power cord and relevant components in 2012 (which are advised by the Company as representative samples). Upon comparison, we note that the prevailing supplier code fee agreed as 1% under the New Master Purchase Agreement were equal to that charged under the New Master Sale Agreement and were comparable to (though not more than) those available from the independent supplier code providers, and hence were on normal commercial terms.

(C) New Cross Guarantee Agreement

Pursuant to the New Cross Guarantee Agreement, (C1) fee of 2.4% on the guaranteed amount will be charged by HL Guarantee Group in respect of the issue of Guarantee; whereas (C2) fee of 1.92% on the guaranteed amount will be charged by Connected Guarantee Group in respect of the issue of Guarantee. For (C1), such

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fee rate was determined with reference to the prevailing market rate based on the quotation obtained by HL Guarantee Group and/or available market information. For (C2), such fee rate was determined (i) with reference to the prevailing market rate based on the quotation obtained by the Connected Guarantee Group and/or available market information; and (ii) after taking into a discount for HL Guarantee Group.

Upon enquiry, we have been confirmed by the Company that actually HL Guarantee Group has never provided guarantee on banking facilities of any independent third party borrowers in consideration for guarantee income receivable. Accordingly, we have resorted to review price quotations for the guarantee fee charged to Connected Guarantee Group by the independent third party guarantee service providers for banking facilities of Connected Guarantee Group in 2014, which include 蘇州國發擔保有限責任公司 (Suzhou National Development Guarantee Co. Ltd.*) and 蘇州青企擔保有限責任公司 (Suzhou Qingqi Guarantee Co. Ltd.*). Upon comparison, we note that the prevailing (C1) fee of 2.4% adopted under the New Cross Guarantee Agreement were comparable to those terms available from the independent third party guarantee service providers, and hence were on normal commercial terms. However, as confirmed by the management of the Company, such quotations are only on a verbal basis and there is no written quotation provided by independent third party guarantee service providers. As our further independent due diligence exercise, we have compared the prevailing (C1) fee of 2.4% adopted under the New Cross Guarantee Agreement to be charged by HL Guarantee Group with the fee scale charged by a company listed on the Stock Exchange engaging in guarantee services in the PRC (as set out in its prospectus dated 31 October 2013), and found it to be within the range of 0.5% to 7.5% of the loan size as stated in its prospectus.

In respect of the reciprocal Guarantee provided by Connected Guarantee Group to HL Guarantee Group, we have been confirmed by the Company that actually HL Guarantee Group has never been provided guarantee on banking facilities of HL Guarantee Group by any independent third party in consideration for guarantee fee payable by HL Guarantee Group to such independent third party. Accordingly, we have resorted to review price quotation for the guarantee fee charged to HL Guarantee Group by the independent third party guarantee service provider in 2014, namely, 威海國有資產經營(集團)有限公司 (Weihai State-Owned Assets Management (Group) Co., Ltd.*), for banking facilities of HL Guarantee Group. Upon comparison, we note that the prevailing (C2) fee of 1.92% adopted under the New Cross Guarantee Agreement is not higher than the term available from the independent third party guarantee service provider, and hence were on normal commercial terms. As our further independent due diligence exercise, we have compared the prevailing (C2) fee of 1.92% adopted under the New Cross Guarantee Agreement to be charged by Connected Guarantee Group with the fee scale charged by a company listed on the Stock Exchange engaging in guarantee

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services in the PRC (as set out in its prospectus dated 31 October 2013), and found it to be within the range of 0.5 % to 7.5% of the loan size as stated in its prospectus.

(III) Settlement

(A) New Master Sale Agreement

Pursuant to the New Master Sale Agreement, the amount payable by Connected Purchaser Group shall be settled (A1) within 90 days after the amounts have been entered into the accounts of both parties (for sale to Connected Purchaser Group without using any supplier codes held by Connected Purchaser Group); or (A2) within 30 days after receiving the relevant payment from the third party customers for the products sold (for transactions pursuant to the New Master Sale Agreement that are solely for the purpose of using any supplier codes held by Connected Purchaser Group to sell the relevant products to the ultimate customers of HL Vendor Group).

We have reviewed price quotations/contracts for the sale by HL Vendor Group to (i) Connected Purchaser Group and (ii) the independent third party customers of the similar cable, power cord and relevant components in 2014 (which are advised by the Company as representative samples). Upon comparison, we note that the prevailing days of settlement (A1) within 90 days after the amounts have been entered into the accounts of both parties; and (A2) within 30 days after receiving the relevant payment from the third party customers for the products sold under the New Master Sale Agreement were comparable to those available to the independent third party customers, and hence were on normal commercial terms.

For transactions pursuant to the New Master Sale Agreement that are solely for the purpose of using any supplier codes held by Connected Purchaser Group to sell the relevant products to the ultimate customers of HL Vendor Group, we have reviewed price quotations/contracts for the sale by HL Vendor Group to (i) Connected Purchaser Group and (ii) the independent third party supplier code provider of the similar power cord and relevant components in 2012 (which are advised by the Company as representative samples). Upon comparison, we note that the prevailing days of settlement of supplier code fee within 45 days upon invoiced under the New Master Sale Agreement were comparable to those available from the independent third party supplier code provider, and hence were on normal commercial terms.

(B) New Master Purchase Agreement

Pursuant to the New Master Purchase Agreement, (B) the amount payable by HL Purchaser Group shall be settled within 60 days after receiving the relevant payment from the third party customers for the products sold.

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Upon enquiry, we have been confirmed by the Company that actually HL Purchaser Group has never provided supplier code service to any independent third party vendor in consideration for fee income receivable based on the relevant sales amount to the ultimate customers of such independent third party vendor. Accordingly, we have resorted to review price quotations/contracts for the sale by HL Vendor Group to (i) Connected Purchaser Group and (ii) the independent third party customers of the power cord and relevant components in 2013 (which are advised by the Company as representative samples). Upon comparison, we note that the prevailing days of settlement within 60 days after receiving the relevant payment from third party customers for the products sold under the New Master Purchase Agreement were not excessively longer than those available from the independent third party, and hence were on normal commercial terms.

For transactions pursuant to the New Master Purchase Agreement which are solely for the purpose of using any supplier codes held by HL Purchaser Group to sell the relevant products to the ultimate customers of Connected Vendor Group, we have resorted to review price quotations/contracts for the sale by HL Vendor Group to (i) Connected Purchaser Group and (ii) the independent third party supplier code providers of the power cord and relevant components in 2012 (which are advised by the Company as representative samples). Upon comparison, we upon comparison note that the prevailing days of settlement of supplier code fee within 45 days upon invoiced under the New Master Purchase Agreement were comparable to those available to the independent supplier code providers, and hence were on normal commercial terms.

(C) New Cross Guarantee Agreement

Pursuant to the New Cross Guarantee Agreement, both of (C1) fee of 2.4% on the guaranteed amount to be charged by HL Guarantee Group in respect of the issue of Guarantee and (C2) fee of 1.92% on the guaranteed amount to be charged by Connected Guarantee Group in respect of the issue of Guarantee will be invoiced within one month, after issue of each Guarantee.

Upon enquiry, we have been confirmed by the Company that actually HL Guarantee Group has never provided guarantee on banking facilities of any independent third party borrowers in consideration for guarantee income receivable. Accordingly, we have resorted to review (1) settlement quotations for the guarantee fee charged to Connected Guarantee Group by the independent third party guarantee service providers for banking facilities of Connected Guarantee Group in 2014, which include 蘇州國發擔保有限責任公司 (Suzhou National Development Guarantee Co. Ltd.*) and 蘇州青企擔保有限責任公司 (Suzhou Qingqi Guarantee Co. Ltd.*) and (2) actual settlement terms charged by a company listed on the Stock Exchange engaging in guarantee services in the PRC (as set out

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in its prospectus dated 31 October 2013). Upon comparison, we note that the prevailing (C1) settlement days of guarantee fee receivable by HL Guarantee Group under the New Cross Guarantee Agreement were not excessively deviating from those terms available from the independent third party guarantee service providers (of being due within one day after the execution of both the loan agreement and the guarantee contract, or upon signing of the guarantee contract), and hence were on normal commercial terms. However, as confirmed by the management of the Company, such quotations are only on a verbal basis and there is no written quotation provided by independent third party guarantee service providers.

In respect of the reciprocal Guarantee provided by Connected Guarantee Group to HL Guarantee Group, we have been confirmed by the Company that actually HL Guarantee Group has never been provided guarantee on banking facilities of HL Guarantee Group by any independent third party in consideration for guarantee fee payable by HL Guarantee Group to such independent third party. Accordingly, we have resorted to review (1) settlement quotation for the guarantee fee charged to HL Guarantee Group from an independent third party guarantee service provider in 2014, namely, 威海國有資產經營(集團)有限公司 (Weihai State-Owned Assets Management (Group) Co., Ltd.*) and (2) actual settlement terms charged by a company listed on the Stock Exchange engaging in guarantee services in the PRC (as set out in its prospectus dated 31 October 2013). Upon comparison, we note that the prevailing (C2) settlement days of guarantee fee payable by HL Guarantee Group under the New Cross Guarantee Agreement were not excessively deviating from those terms available from the independent third party guarantee service providers (of being due within one day after the execution of both the loan agreement and the guarantee contract, or upon signing of the guarantee contract), and hence were on normal commercial terms.

3. Measures to ensure compliance with the Listing Rules

In compliance with the annual review requirements under the Listing Rules, the Company will comply with the following during the term of the Non-Exempted New CCT:

- (i) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the Company's annual report and accounts that the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the Group;
 - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

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- in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the continuing connected transaction:
- have received the approval of the Board;
 - are, in all material aspects, in accordance with the pricing policies of the Company if the continuing connected transactions involve provision of goods or services by the Company;
 - have been entered into, in all material aspects, in accordance with the relevant agreement governing the continuing connected transaction; and
 - have not exceeded the annual caps;
- (iii) the Company will allow, and will procure that the counterparties will allow, the auditors of the Company with sufficient access to the relevant records of the continuing connected transactions for the purpose of reporting on the continuing connected transactions. The Directors must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above;
- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively; and
- (v) the Board has been implementing internal control procedures to monitor the size of the actual transactions carried out under the Non-Exempted Existing CCT Agreements on a monthly basis by each relevant department and subsidiary of the Group, and the Board has decided to continue implementing the same for the Non-Exempted New CCT.

Having considered, in particular, (i) the restriction of the value of the continuing connected transactions by way of the annual caps; (ii) the internal control measures in place to ensure the Company's conformity with the pricing policies from time to time; and (iii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the continuing connected transactions and the annual caps not being exceeded, we are of the view that there are appropriate measures in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Independent Shareholders.

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RECOMMENDATION

Having considered the principal factors above, we consider that the entering into of the Non-Exempted New CCT Agreements is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the terms of the Non-Exempted New CCT Agreements (including the relevant Proposed Caps) are of normal commercial terms, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we also advise, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Non-Exempted New CCT Agreements (including the Proposed Caps).

Yours faithfully,

For and on behalf of

GF Capital (Hong Kong) Limited

Danny Wan

Managing Director

Harry Yu

Director

Note: Mr. Danny Wan and Mr. Harry Yu are licensed persons registered with the SFC and responsible officers of GF Capital (Hong Kong) Limited to carry on Type 6 (advising on corporate finance) regulated activity under the SFO. Both of them have over 15 years of experience in the corporate finance industry, and have participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

Interests of Directors

As at the Latest Practicable Date, the interests and short positions of the Directors in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long position in the Shares:

Name of Directors	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company (%)
Mr. Chi	Interest of a controlled corporation (<i>Note 1</i>)	97,000,839	13.5%
Mr. Cheng Wen	Interest of a controlled corporation (<i>Note 2</i>)	90,000,000	12.5%

Notes:

- Mr. Chi is deemed to be interested in 97,000,839 Shares held by Chenlin International Joint Stock Company Limited for the purpose of the SFO by virtue of it being wholly-owned by Mr. Chi.
- Mr. Cheng Wen is deemed to be interested in 90,000,000 Shares held by Castle Gate Ventures Limited for the purpose of the SFO by virtue of it being wholly-owned by Mr. Cheng Wen.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including which they were taken or deemed to have under such provisions of the SFO); or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial shareholders

So far as is known to the Directors, as at the Latest Practicable Date, the persons other than a Director or chief executive of the Company who has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or had any options in respect of such capital, were as follow:

Name	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company (%)
Chenlin International Joint Stock Company Limited	Beneficial interest (Note 1)	97,000,839	13.5%
Castle Gate Ventures Limited	Beneficial interest (Note 2)	90,000,000	12.5%

Notes:

1. Chenlin International Joint Stock Company Limited held approximately 13.5% interest in the Company, which entire issued share capital is owned by Mr. Chi.
2. Castle Gate Ventures Limited held approximately 12.5% interest in the Company, which entire issued share capital is owned by Mr. Cheng Wen.

Save as disclosed above, the Directors and chief executive of the Company were not aware that there was any person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest of short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO, or who was, directly or indirectly, interested in 5% or more of nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any options in respect of such capital.

3. SERVICE CONTRACTS

There is no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2013, being the date of the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting as at the date of this circular and which is significant in relation to the business of the Group as a whole.

5. LITIGATION

As at the Latest Practicable Date, a subsidiary of the Company is currently a defendant in a lawsuit in relation to a commissioned development contract in software of handset. The litigation is likely to continue for a considerable period of time. Save for that, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

6. EXPERT'S CONSENT AND QUALIFICATION

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
GF Capital	a licensed corporation under the SFO to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

GF Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and all reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, GF Capital was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

7. COMPETING INTERESTS

None of the Directors and his associates is interested directly or indirectly in a business, apart from his interest in the Company, which competes or is likely to compete with the business of the Group.

8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the Company's principal place of business in Hong Kong at 33rd Floor, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong up to and including the date of the EGM:

- (a) the letter from the Board, the text of which is set out on pages 11 to 29 of this circular;

- (b) the letter of recommendation from the Independent Board Committee, the text of which is set out on page 30 of this circular;
- (c) the letter of recommendation from GF Capital, the text of which is set out on pages 31 to 55 of this circular;
- (d) the written consent from GF Capital referred to in the paragraph headed “Expert’s Consent and Qualification” of this appendix; and
- (e) the New CCT Agreements.



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 5th Floor Conference Room 1, Jin Tai Hotel, No. 38 Di’anmenxidajie, Xicheng District, Beijing, the PRC on Monday, 17 November 2014 at 3:00 p.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions of the Company:

ORDINARY RESOLUTIONS

1. “**THAT:**

- (a) the master sale agreement entered into between (a) Weihai Shi Mingbo Wire & Cable Technology Co., Ltd., Weihai Shi Honglin Electronic Co., Ltd., Weihai Jinyuan Mingye Property Development Co., Ltd., Dezhou Jincheng Electric Co., Ltd., Tianjin Jincheng Hanisi Automotive Electronics Co., Ltd., New Postcom Technology Company Limited and Shenyang New Postcom Co., Ltd., and (b) Weihai Shi Hongbo Wire & Cable Technology Co., Ltd., Dezhou Honglin Electronic Co., Ltd., Chongqing Honglin Technology Co., Ltd., Chongqing Linbo Investment Co., Ltd., Changshu Honglin Electronic Co., Ltd., Changshu Honglin Wire & Cable Co., Ltd., Changshu Honglin Connecting-Technology Co., Ltd., Shenzhen Honglin Communication Technology Co., Ltd. and Huizhou Honglin Technology Co., Ltd., Hongxin International Limited, Chenhong International Limited, Honglin Technology Co., Ltd. dated 10 October 2014 (the “**New Master Sale Agreement**”, a copy of which has been produced to the Meeting marked “A” and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be approved, ratified and confirmed, and the annual cap in relation to the New Master Sale Agreement for the year ending 31 December 2015 be and are hereby approved, confirmed and ratified; and
- (b) any of the directors of the Company be and is hereby authorised to do such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in his/her opinion necessary, desirable or expedient to implement and/or give effect to any matters arising from, relating to, or incidental to the New Master Sale Agreement and the transactions contemplated thereunder.”

* *For identification purposes only*

NOTICE OF THE EGM

2. “**THAT:**

- (a) the master purchase agreement entered into between (a) Weihai Shi Mingbo Wire & Cable Technology Co., Ltd., Weihai Shi Honglin Electronic Co., Ltd., Weihai Jinyuan Mingye Property Development Co., Ltd., Dezhou Jincheng Electric Co., Ltd., Tianjin Jincheng Hanisi Automotive Electronics Co., Ltd., New Postcom Technology Company Limited and Shenyang New Postcom Co., Ltd., and (b) Weihai Shi Hongbo Wire & Cable Technology Co., Ltd., Dezhou Honglin Electronic Co., Ltd., Chongqing Honglin Technology Co., Ltd., Chongqing Linbo Investment Co., Ltd., Changshu Honglin Electronic Co., Ltd., Changshu Honglin Wire & Cable Co., Ltd., Changshu Honglin Connecting-Technology Co., Ltd., Shenzhen Honglin Communication Technology Co., Ltd., Huizhou Honglin Technology Co., Ltd. and Hongxin International Limited, Chenhong International Limited, Honglin Technology Co., Ltd. dated 10 October 2014 (the “**New Master Purchase Agreement**”, a copy of which has been produced to the Meeting marked “B” and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be approved, ratified and confirmed, and the annual cap in relation to the New Master Purchase Agreement for the year ending 31 December 2015 be and are hereby approved, confirmed and ratified; and
- (b) any of the directors of the Company be and is hereby authorised to do such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in his/her opinion necessary, desirable or expedient to implement and/or give effect to any matters arising from, relating to, or incidental to the New Master Purchase Agreement and the transactions contemplated thereunder.”

3. “**THAT:**

- (a) the master agreement of cross guarantee on banking facilities entered into between (a) Weihai Shi Mingbo Wire & Cable Technology Co., Ltd., Weihai Shi Honglin Electronic Co., Ltd., Weihai Jinyuan Mingye Property Development Co., Ltd., Dezhou Jincheng Electric Co., Ltd., Tianjin Jincheng Hanisi Automotive Electronics Co., Ltd., New Postcom Technology Company Limited and Shenyang New Postcom Co., Ltd., and (b) Weihai Shi Hongbo Wire & Cable Technology Co., Ltd., Dezhou Honglin Electronic Co., Ltd., Chongqing Honglin Technology Co., Ltd., Chongqing Linbo Investment Co., Ltd., Changshu Honglin Electronic Co., Ltd., Changshu Honglin Wire & Cable Co., Ltd., Changshu Honglin Connecting-Technology Co., Ltd., Shenzhen Honglin Communication Technology Co., Ltd., Huizhou Honglin Technology Co., Ltd., Hongxin International Limited, Chenhong International Limited and Honglin Technology Co., Ltd. dated 10 October 2014 (the “**New Cross Guarantee Agreement**”, a copy of which has been

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produced to the Meeting marked “C” and initialed by the chairman of the Meeting for identification purpose) and the transactions contemplated thereunder be approved, ratified and confirmed, and the annual cap in relation to the New Cross Guarantee Agreement for the year ending 31 December 2015 be and are hereby approved, confirmed and ratified; and

- (b) any of the directors of the Company be and is hereby authorised to do such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in his/her opinion necessary, desirable or expedient to implement and/or give effect to any matters arising from, relating to, or incidental to the New Cross Guarantee Agreement and the transactions contemplated thereunder.”

By order of the Board
HL Technology Group Limited
Chi Shaolin
Chairman & CEO

Hong Kong, 31 October 2014

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

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Notes:

1. A member entitled to attend and vote at the 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 branch 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 appointed for the holding the Meeting or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude any member from attending and voting in person at the Meeting or any adjournment thereof (as the case may be) should he so wishes.
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 resolutions set out in this notice of extraordinary general meeting will be put to Shareholders to vote taken by way of a poll.