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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 accountant or other professional advisers.

If you have sold or transferred all your securities in HL Technology Group Limited (the “Company”), 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 9 to 22 of this circular. A letter from the Independent Board Committee is set out on page 23 of this circular.

A letter from GF Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 44 of this circular.

A notice convening the EGM to be held at 3rd Floor Conference Room 3, Jin Tai Hotel, NO.38, Di'anmenxidajie, Xicheng District, Beijing, the PRC on Tuesday, 26 November 2013 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, 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 EGM or any adjourned meeting (as the case may be). Completion and return of the 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.

* for identification purpose only

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“CCT Agreements”	the Master Sale Agreement, the Master Purchase Agreement and the Cross Guarantee Agreement
“Changshu Cable”	Changshu Honglin Wire & Cable Co., Ltd., a company established in the PRC with limited liability and being part of Jia Ya Group; Changshu Cable is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“Changshu Connecting-Technology”	Changshu Honglin Connecting-Technology Co., Ltd., a company established in the PRC with limited liability and being part of Jia Ya Group; Changshu Connecting-Technology is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“Changshu Electronic”	Changshu Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and being part of Jia Ya Group; Changshu Electronic is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“Chenhong International”	Chenhong International Limited, a company incorporated in Hong Kong with limited liability and being part of Jia Ya Group; Chenhong International is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“Chongqing Technology”	Chongqing Honglin Technology Co., Ltd., a company established in the PRC with limited liability and being part of Jia Ya Group; Chongqing Technology is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“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

DEFINITIONS

“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 person(s)”	has the meaning ascribed to it in the Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the CCT Agreements
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Cross Guarantee Agreement”	the master agreement of cross guarantee on banking facilities dated 29 October 2013 entered into between HL Guarantee Group and Jia Ya Guarantee Group in relation to cross guarantee on the banking facilities of each other
“Dezhou Electronic”	Dezhou Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and being part of Jia Ya Group; Dezhou Electronic is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“Dezhou Jincheng”	Dezhou Jincheng Electric 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 and after the Disposal Completion
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the entire issued share capital of Sumptuous Wealth (which holds other members of Jia Ya Group) by the Company pursuant to a sales and purchase agreement dated 9 June 2013 entered into among the Company, Jia Ya Developments and Mr. Chi (as supplemented by a supplemental agreement dated 24 June 2013), details of which are set out in the circular of the Company dated 27 June 2013
“Disposal Completion”	completion of the Disposal
“EGM”	an extraordinary general meeting to be convened by the Company to consider and, if thought fit, to approve, among other things, the CCT Agreements and the transactions contemplated thereunder, including the respective Proposed Caps

* *for identification purposes only*

DEFINITIONS

“Exempted Continuing Connected Transactions”	transactions contemplated under the Commission Agreement and the Tenancy and Utility Services Agreement
“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 pursuant to Rules 14A.65 (1), (3) and (4) of the Listing Rules
“GF Capital” or “Independent Financial Adviser”	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 CCT Agreements and the transactions contemplated thereunder, including their respective Proposed Caps
“Greatest Group”	Greatest Group Limited, a company incorporated in Hong Kong with limited liability and wholly-owned by Sumptuous Wealth as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Guarantee”	bank guarantee (excluding guaranty, 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 Dongchen; (iv) Weihai Jinyuan; (v) Wuhan Technology; (vi) Dezhou Jincheng; (vii) Tianjin Rituo; (viii) Huizhou Communication; and (ix) Shenyang New Postcom, each being part of the Remaining Group
“HL Purchaser Group”	(i) Weihai Mingbo; (ii) Weihai Electronic; (iii) Weihai Dongchen; (iv) Weihai Jinyuan; (v) Wuhan Technology; (vi) Dezhou Jincheng; (vii) Tianjin Rituo; (viii) Huizhou Communication; and (ix) Shenyang New Postcom, each being part of the Remaining Group
“HL Vendor Group”	(i) Weihai Mingbo; (ii) Weihai Electronic; (iii) Weihai Dongchen; (iv) Weihai Jinyuan; (v) Wuhan Technology; (vi) Dezhou Jincheng; (vii) Tianjin Rituo; (viii) Huizhou Communication; and (ix) Shenyang New Postcom, each being part of the Remaining Group

DEFINITIONS

“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 Jia Ya Group; Honglin Technology is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“Hongxin International”	Hongxin International Limited, a company incorporated in Hong Kong with limited liability and being part of Jia Ya Group; Hongxin International is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“Huizhou Communication”	Huizhou Honglin Communication 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 and after the Disposal Completion
“Huizhou Technology”	Huizhou Honglin Technology Co., Ltd., a company established in the PRC with limited liability and being part of Jia Ya Group; Huizhou Technology is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely, Ms. Zheng Lin, Mr. Pao Ping Wing and Mr. Thomas Tam, formed to advise the Independent Shareholders on the CCT Agreements and the transactions contemplated thereunder, including the respective Proposed Caps
“Independent Shareholders”	Shareholders other than Mr. Chi and his 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, and the purchaser to the Disposal
“Jia Ya Group”	Jia Ya Developments and its subsidiaries immediately after the Disposal Completion (including Abundant Wit, Sumptuous Wealth, Greatest Group, Weihai Hongbo, Changshu Electronic, Honglin Technology, Huizhou Technology, Chongqing Technology, Shenzhen Communication, Dezhou Electronic, Changshu Connecting-Technology, Chenhong International, Hongxin International and Changshu Cable)

DEFINITIONS

“Jia Ya Guarantee Group”	(i) Weihai Hongbo; (ii) Dezhou Electronic; (iii) Chongqing Technology; (iv) Changshu Electronic; (v) Changshu Cable; (vi) Changshu Connecting-Technology; (vii) Shenzhen Communication; (viii) Huizhou Technology; (ix) Hongxin International; (x) Chenhong International; and (xi) Honglin Technology, each being part of Jia Ya Group
“Jia Ya Purchaser Group”	(i) Weihai Hongbo; (ii) Dezhou Electronic; (iii) Chongqing Technology; (iv) Changshu Electronic; (v) Changshu Cable; (vi) Changshu Connecting-Technology; (vii) Shenzhen Communication; (viii) Huizhou Technology; (ix) Hongxin International; (x) Chenhong International; and (xi) Honglin Technology, each being part of Jia Ya Group
“Jia Ya Vendor Group”	(i) Weihai Hongbo; (ii) Dezhou Electronic; (iii) Chongqing Technology; (iv) Changshu Electronic; (v) Changshu Cable; (vi) Changshu Connecting-Technology; (vii) Shenzhen Communication; (viii) Huizhou Technology; (ix) Hongxin International; (x) Chenhong International; and (xi) Honglin Technology, each being part of Jia Ya Group
“Latest Practicable Date”	7 November 2013, 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
“Master Purchase Agreement”	the master purchase agreement dated 29 October 2013 entered into between HL Purchaser Group and Jia Ya Vendor Group in relation to, among other things, the supply of products to HL Purchaser Group by Jia Ya Vendor and the use of supplier codes held by HL Purchaser Group
“Master Sale Agreement”	the master sale agreement dated 29 October 2013 entered into between HL Vendor Group and Jia Ya Purchaser Group in relation to, among other things, the sale of products by HL Vendor Group to Jia Ya Purchaser Group and the use of supplier codes held by Jia Ya Purchaser Group
“Mr. Chi”	Mr. Chi Shaolin, an executive Director, the chairman and chief executive officer of the Company, and a controlling Shareholder who was interested in approximately 40.87% interests of the Company as at the Latest Practicable Date

DEFINITIONS

“Non-Exempted Continuing Connected Transactions”	transactions contemplated under the Master Sale Agreement, the Master Purchase Agreement and the Cross Guarantee Agreement
“PRC”	the People’s Republic of China, 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) (under construction as at the date of the Tenancy and Utility Services Agreement) with expected 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 (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 Continuing Connected Transactions for each of the two financial years ending 31 December 2013 and 2014 pursuant to the CCT Agreements
“Remaining Group”	companies within the Group other than Jia Ya Group
“RMB”	Renminbi, the lawful currency in the PRC
“SFO”	Securities and Future 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

DEFINITIONS

“Shenyang New Postcom”	Shenyang New Postcom Co., Ltd., a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Group as at the Latest Practicable Date and after the Disposal Completion
“Shenzhen Communication”	Shenzhen Honglin Communication Technology Co., Ltd., a company established in the PRC with limited liability and being part of Jia Ya Group; Shenzhen Communication is a non-wholly owned subsidiary of the Group whose equity interest is owned as to 80% by the Group as at the Latest Practicable Date and before the Disposal Completion
“sq.m”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Sumptuous Wealth”	Sumptuous Wealth Limited, a company incorporated in the British Virgin Islands with limited liability, and whose entire issued share capital being the subject to be disposed by the Company under the Disposal
“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
“Tianjin Rituo”	Tianjin Rituo High 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 and after the Disposal Completion
“Weihai Dongchen”	Weihai Dongchen Plastics New Materials Co., Ltd., a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Group whose equity interests is owned as to 60% by the Group as at the Latest Practicable Date and after the Disposal Completion
“Weihai Electronic”	Weihaiishi 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 and after the Disposal Completion

DEFINITIONS

“Weihai Hongbo”	Weihaishi Hongbo Wire & Cable Technology Co., Ltd., a company established in the PRC with limited liability and being part of Jia Ya Group; Weihai Hongbo is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and before the Disposal Completion
“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 and after the Disposal Completion
“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 and after the Disposal Completion
“Wuhan Technology”	Wuhan Honglin Technology 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 and after the Disposal Completion
“%”	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 Directors:

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

Mr. JIANG Taikē (*Vice Chief Executive Officer*)

Mr. LI Jianming (*Vice Chief Executive Officer
and Authorized Representative*)

Mr. LU Chengye

Independent Non-executive Directors:

Mr. PAO Ping Wing

Mr. Thomas TAM

Ms. ZHENG Lin

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

11 November 2013

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 29 October 2013 in relation to, among other things, the entering into of the CCT Agreements and the transactions contemplated thereunder.

On 16 July 2013, the Company has obtained Independent Shareholders' approval for the Disposal (details of which can be referred to the circular of the Company dated 27 June 2013 in relation to the proposed disposal of the entire issued share capital of Sumptuous Wealth which will, upon the Disposal Completion, hold Jia Ya Group (except Jia Ya Developments)) and the segregation of the Remaining Group and Jia Ya Group has commenced thereafter as contemplated under the Disposal. As of the Latest Practicable Date, such reorganisation was still ongoing. Due to the fact that Jia Ya Group (except Jia Ya Developments) is part of the Group as at the Latest Practicable Date and before the Disposal, Jia Ya Group has historically been involved (and will continue to be involved) in intragroup transactions with the Remaining Group, including, among other things, sales and purchases and financial assistance, which may

* for identification purpose only

LETTER FROM THE BOARD

not be terminated immediately after the Disposal Completion at that time. However, upon the Disposal Completion, such transactions will become continuing connected transactions of the Company under the Listing Rules. Therefore, the Board entered into, among others, the CCT Agreements to set out a framework for carrying out these transactions as a transitional arrangement and the Group will continue to completely segregate all these transactions in near future. In order to continue certain existing intragroup transactions between the Remaining Group and Jia Ya Group after the Disposal Completion, on 29 October 2013 (after trading hours), members of the Group entered into the following agreements:

Regarding the Non-Exempted Continuing Connected Transactions

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

Regarding the Exempted Continuing Connected Transactions

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

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

LETTER FROM THE BOARD

THE CONTINUING CONNECTED TRANSACTIONS

The CCT Agreements

A. Master Sale Agreement — Sale of cable, power cord and relevant components to Jia Ya Purchaser Group

On 29 October 2013, HL Vendor Group and Jia Ya Purchaser Group entered into the Master Sale Agreement in relation to the sale of cable, power cord and relevant components by HL Vendor Group (and its respective subsidiaries from time to time) to Jia Ya Purchaser Group (and its respective subsidiaries from time to time) and the use of supplier codes held by Jia Ya Purchaser Group to ultimate customers for a period commencing from the date of the Master Sale Agreement, or the fulfilment of all conditions precedent to the Master Sale Agreement as set out in the paragraph headed “Conditions Precedent to the CCT Agreements” below (whichever is later) to 31 December 2014.

Vendors:

HL Vendor Group:

- (i) Weihai Mingbo;
- (ii) Weihai Electronic;
- (iii) Weihai Dongchen;
- (iv) Weihai Jinyuan;
- (v) Wuhan Technology;
- (vi) Dezhou Jincheng;
- (vii) Tianjin Rituo;
- (viii) Huizhou Communication; and
- (ix) Shenyang New Postcom

Purchasers:

Jia Ya Purchaser Group:

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

LETTER FROM THE BOARD

Pricing policy:

The pricing for products are to be transacted on normal commercial terms and based upon the fair 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 Jia Ya Purchaser Group solely for its onward sales using its supplier code, 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 Jia Ya Purchaser Group for its onward processing without the use of its supplier code, price 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.

If transactions pursuant to the Master Sale Agreement are solely for the purpose of using any supplier code of Jia Ya Purchaser Group to sell the relevant products to the ultimate customers of HL Vendor Group, the amount payable by Jia Ya Purchaser Group in respect of the products 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 initially agreed as 1% of the sales amount pursuant to the Master Sale Agreement. Such amount payable shall be settled within 45 days upon invoiced.

For sale to Jia Ya Purchaser Group without using any supplier code held by Jia Ya Purchaser Group, Jia Ya Purchaser Group shall settle the amount in respect of the products transacted within 90 days after the amounts have been agreed by both parties.

LETTER FROM THE BOARD

B. Master Purchase Agreement — Supply of finished external and internal signal cable assembly by Jia Ya Vendor Group

On 29 October 2013, Jia Ya Vendor Group entered into the Master Purchase Agreement with HL Purchaser Group in relation to the sale of finished external and internal signal cable assembly by Jia Ya Vendor Group (and its respective subsidiaries from time to time) to HL Purchaser Group (and its respective subsidiaries from time to time) and to use supplier codes held by HL Purchaser Group to ultimate customers for a period commencing from the date of the Master Purchase Agreement, or the fulfilment of all conditions precedent to the Master Purchase Agreement, as set out in the paragraph headed “Conditions Precedent to the CCT Agreements” below (whichever is later) to 31 December 2014.

Vendors:

Jia Ya Vendor Group:

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

Purchasers:

HL Purchaser Group:

- (i) Weihai Mingbo;
- (ii) Weihai Electronic;
- (iii) Weihai Dongchen;
- (iv) Weihai Jinyuan;
- (v) Wuhan Technology;
- (vi) Dezhou Jincheng;
- (vii) Tianjin Rituo;
- (viii) Huizhou Communication; and
- (ix) Shenyang New Postcom

Pricing policy:

The pricing for products under the Master Purchase Agreement are 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 higher 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 Jia Ya 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.

LETTER FROM THE BOARD

The amount payable by HL Purchaser Group shall be settled within 30 days after receiving the relevant payment from third party customers for the products sold.

If transactions pursuant to the Master Purchase Agreement are solely for the purpose of using any supplier code of HL Purchaser Group to sell the relevant products to the ultimate customers of Jia Ya Vendor Group, a fee based on the relevant sales amount to the ultimate customers will be charged to Jia Ya 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 initially agreed as 1% of the sales amount pursuant to the Master Purchase Agreement. Such amount payable shall be settled within 45 days upon invoiced.

C. Cross Guarantee Agreement — Cross Guarantee of banking facilities

On 29 October 2013, HL Guarantee Group and Jia Ya Guarantee Group entered into the Cross Guarantee Agreement 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 Jia Ya Guarantee Group (and its respective subsidiaries from time to time) for an aggregate revolving amount not exceeding RMB415 million (equivalent to approximately HK\$498 million) and RMB475 million (equivalent to approximately HK\$570 million) for the financial years ending 31 December 2013 and 2014 respectively, and (ii) Jia Ya 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 RMB736 million (equivalent to approximately HK\$883 million) and RMB856 million (equivalent to approximately HK\$1,027 million) for the financial years ending 31 December 2013 and 2014 respectively, each for a period commencing from the date of the Cross Guarantee Agreement or the fulfilment of all conditions to the Cross Guarantee Agreement as set out in the paragraph headed “Conditions Precedent to the CCT Agreements” below (whichever is later) to 31 December 2014.

LETTER FROM THE BOARD

C.1 Guarantee provided by HL Guarantee Group to Jia Ya Guarantee Group

Guarantors:

HL Guarantee Group:

- (i) Weihai Mingbo;
- (ii) Weihai Electronic;
- (iii) Weihai Dongchen;
- (iv) Weihai Jinyuan;
- (v) Wuhan Technology;
- (vi) Dezhou Jincheng;
- (vii) Tianjin Rituo;
- (viii) Huizhou Communication; and
- (ix) Shenyang New Postcom

Guarantees:

Jia Ya Guarantee Group:

- (i) Weihai Hongbo;
- (ii) Dezhou Electronic;
- (iii) Chongqing Technology;
- (iv) Changshu Electronic;
- (v) Changshu Cable;
- (vi) Changshu Connecting-Technology;
- (vii) Shenzhen Communication;
- (viii) Huizhou Technology;
- (ix) Hongxin International;
- (x) Chenhong International; and
- (xi) 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 the HL Guarantee Group and available market intelligence (such as relevant information published by other listed companies). Such amount will be invoiced within one month, after issue of each Guarantee.

LETTER FROM THE BOARD

C.2 Guarantee provided by Jia Ya Guarantee Group to HL Guarantee Group

Guarantors:	Jia Ya Guarantee Group
Guarantees:	HL Guarantee Group
Pricing policy:	Fee of 1.92% on the guaranteed amount will be charged by Jia Ya 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 Jia Ya Guarantee Group and available market intelligence (such as relevant information published by other listed companies); and (ii) after taking into a discount for the HL Guarantee Group. Such amount will be invoiced within 1 month, after issue of each Guarantee.

Details of the agreements relating to the Exempted Continuing Connected Transactions (i.e. Commission Agreement and Tenancy and Utility Services Agreement) and the transaction contemplated thereunder can be referred to the announcement of the Company dated 29 October 2013.

The CCT Agreements only set out the overriding and major terms of the transactions to be carried out by relevant parties. Details of the terms and conditions (including payment mode and payment terms) for the transactions contemplated under the Master Sale Agreement and the Master Purchase Agreement will be dealt with in the purchase orders to be placed by the relevant purchaser.

Conditions precedent to the CCT Agreements

Each of the CCT Agreements is conditional on and shall become effective upon, among other things, fulfilment of the following conditions precedent:

- (i) the Disposal Completion; and
- (ii) 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 law.

LETTER FROM THE BOARD

PROPOSED CAPS AND HISTORICAL FIGURES

Historical figures

The following table sets out the historical transaction amounts of the Non-Exempted Continuing Connected Transactions (being intragroup transactions before the Disposal Completion) during the three financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013:

Non-Exempted Continuing Connected Transactions	For the financial year ended 31 December			For the nine months ended 30 September
	2010 <i>(RMB'000)</i> (Unaudited)	2011 <i>(RMB'000)</i> (Unaudited)	2012 <i>(RMB'000)</i> (Unaudited)	2013 <i>(RMB'000)</i> (Unaudited)
A. Sales of cable, power cord and relevant components to Jia Ya Purchaser Group	32,567	86,608	186,636	109,145
B. Supply of finished external and internal signal cable assembly by Jia Ya Vendor Group	40,488	64,052	19,542	43,836
C. Reciprocally Guarantee on banking facilities				
C.1 Guarantee provided by HL Guarantee Group to Jia Ya Guarantee Group <i>(aggregate of highest level of indebtedness during the guarantee period)</i>	52,850 <i>(32,960)</i>	135,367 <i>(107,804)</i>	231,887 <i>(156,051)</i>	391,941 <i>(280,158)</i>
C.2 Guarantee provided by Jia Ya Guarantee Group to HL Guarantee Group <i>(aggregate of highest level of indebtedness during the guarantee period)</i>	40,000 <i>(24,275)</i>	100,000 <i>(55,065)</i>	326,000 <i>(250,594)</i>	736,000 <i>(588,491)</i>

Proposed Caps

The following table sets out the Proposed Caps of the Non-Exempted Continuing Connected Transactions for each of the two financial years ending 31 December 2013 and 2014 under their corresponding CCT Agreements:

Non-Exempted Continuing Connected Transactions	For the financial year ending 31 December	
	2013 <i>(RMB'000)</i>	2014 <i>(RMB'000)</i>
A. Sales of cable, power cord and relevant components to Jia Ya Purchaser Group (relevant fee for using a supplier code of Jia Ya Purchaser Group)	155,000 (800)	290,000 (900)

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Non-Exempted Continuing Connected Transactions	For the financial year ending 31 December	
	2013	2014
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
B. Supply of finished external and internal signal cable assembly by Jia Ya Vendor Group (relevant fee for using a supplier code of HL Purchaser Group)	102,000 (1,020)	202,000 (2,020)
C. Reciprocally Guarantee on banking facilities		
C.1 (a) Guarantee provided by HL Guarantee Group to Jia Ya Guarantee Group (excluding Exempted Financial Assistance)	415,000	475,000
(b) Guarantee fee charged by HL Guarantee Group	9,960	11,400
C.2 (a) Guarantee provided by Jia Ya Guarantee Group to HL Guarantee Group (excluding Exempted Financial Assistance)	736,000	856,000
(b) Guarantee fee charged by Jia Ya Guarantee Group	14,132	16,436

Basis in determining the Proposed Caps

In determining the Proposed Caps for the Non-Exempted Continuing Connected Transactions for each of the two financial years ending 31 December 2013 and 2014, the Board has based its estimates on the sales, purchase and guarantee forecast of the relevant years 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 Master Sale Agreement and the Master Purchase Agreement:

- (i) the actual transacted quantity and amounts for the three financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 respectively;
- (ii) the anticipated increase in ultimate customers' demand on the products of HL Vendor Group and the need of using relevant supplier codes held by the Jia Ya Purchaser Group;
- (iii) the anticipated increase in purchase volume of Jia Ya Purchaser Group to meet its production target (after taking into account a significant increase in demand on processed products of Jia Ya Purchaser Group attributable to its new and well-known ultimate customer);

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- (iv) the anticipated increase in ultimate customers' demand on the products of Jia Ya Vendor Group and the need of using relevant supplier codes held by the HL Purchaser Group (after taking into account the demand on new product of Jia Ya Vendor Group by its well-known ultimate customer); and
- (v) the prevailing anticipated unit price of the products to be transacted.

Regarding transactions pursuant to the Cross Guarantee Agreement:

- (i) the amount guaranteed by each other of HL Guarantee Group and Jia Ya Guarantee Group for the three financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 respectively;
- (ii) the highest level of indebtedness of each of HL Guarantee Group and Jia Ya Guarantee Group pursuant to the relevant guarantee for the three financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 respectively; and
- (iii) the anticipated demand of capital for HL Guarantee Group and Jia Ya Guarantee Group taking into account their respective operational need and production target.

REASONS FOR AND BENEFITS OF THE NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the provision of one-stop signal transmission and connectivity solutions and related products. The Group designs, develops, manufactures and sells a comprehensive range of products including external and internal signal cable assembly, signal transmission wire and cable, power cord assembly, connectors, antennas, automotive wiring harness, networks, terminals and other products. Currently, the businesses of the Group relating to the manufactures and sales of signal cable assembly, connectors, antennas and substantial part of signal transmission wire and cable are mainly conducted by certain members of the Group to be disposed of. Intragroup transactions (such as sales and purchase of finished goods and semi-finished goods, lease of property and provision of utility services and trading services) and the financial assistance (such as provision of loans and reciprocally Guarantee on banking facilities) (in particular, between the Remaining Group and Jia Ya Group) have been carried out on an ongoing basis and certain of them cannot be terminated immediately upon the Disposal Completion.

Master Sale Agreement and 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 are currently owned by different subsidiaries of the Group. Before the 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, upon the Disposal Completion, some supplier codes will continue to be owned by the Remaining Group whereas some other supplier codes will be owned by Jia Ya Group. The Remaining Group has tried to retrieve or transfer the existing supplier codes or reapply the new supplier codes in order to eliminate the potential continuing connected

LETTER FROM THE BOARD

transactions between the Remaining Group and Jia Ya Group but certain 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 Remaining Group and Jia Ya Group decided to use the supplier codes of each others so as to continue the business with their respective ultimate customers in the transitional stage after the Disposal Completion.

The Group has been manufacturing and selling finished cable in its ordinary course of business before the Disposal Completion and certain portion of the raw cable has been manufactured by Weihai Electronic (being a member of the Remaining Group). The Remaining Group will continue to sell the raw cable to Jia Ya Group where the prices offered to Jia Ya Group are no less favourable than those to other independent customers.

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 Jia Ya Guarantee Group is a subsidiary of the Group before the Disposal Completion and most of the members of HL Guarantee Group and Jia Ya 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 considered that it may be more practicable if Jia Ya Guarantee Group can provide the corporate guarantee on the relevant banking facilities. The banking facilities of HL Guarantee Group will be utilised as a supplement to its working capital and basic construction and maintenance of fixed assets whilst the banking facilities of Jia Ya Guarantee Group will be utilised as a supplement to its working capital and basic construction and maintenance of fixed assets. As certain members of Jia Ya Guarantee Group will also have business relationship with the Remaining Group, the Board believes that the Group will be able to benefit from the financing as guaranteed by Jia Ya Guarantee Group as well as the continuation of business relation with Jia Ya Guarantee Group.

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

IMPLICATIONS UNDER THE LISTING RULES

Jia Ya Developments is wholly-owned by Mr. Chi, the controlling Shareholder, the chairman and the chief executive officer of the Company and an executive Director who was interested in approximately 40.87% interests of the Company as at the Latest Practicable Date. Following the Disposal Completion, Mr. Chi and Jia Ya Developments will, directly or indirectly, wholly-own each of the other members of Jia Ya Group (or for Shenzhen

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Communication, own as to 80%). Accordingly, Mr. Chi and each member of Jia Ya Group are considered to be connected persons of the Company under Chapter 14A of the Listing Rules upon the Disposal Completion. The entering into the CCT Agreements and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon the Disposal Completion.

The Non-Exempted Continuing Connected Transactions (i.e. Continuing Connected Transactions falling within the categories of (i) sales of cable, power cord and relevant components to Jia Ya Purchaser Group; (ii) supply of finished external and internal signal cable assembly by Jia Ya Vendor Group; and (iii) cross Guarantee on banking facilities) are subject to reporting, announcement, annual review and approval by the Independent Shareholders requirements under Rule 14A.35 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.

Mr. Chi is an executive Director, the chairman and the chief executive officer of the Company and a controlling Shareholder interested in approximately 40.87% interests of the Company as at the Latest Practicable Date through Chenlin International Joint Stock Company Limited, which is wholly-owned by Mr. Chi. Since Mr. Chi is the sole shareholder of Jia Ya Developments, who will own the remaining interests in other members of Jia Ya Group after the Disposal Completion, Mr. Chi is deemed to have material interests in each of the CCT Agreements and the transactions contemplated thereunder. Therefore, Mr. Chi was required to and had abstained from voting on the relevant resolutions at the board meeting approving the CCT Agreements and the transactions contemplated thereunder (including the respective Proposed Caps). Mr. Chi and his associates (including Chenlin International Joint Stock Company Limited and Splendor Sun Group Limited holding an aggregate of 355,229,222 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 CCT Agreements and the transactions contemplated thereunder (including the respective Proposed Caps).

THE EGM

A notice convening the EGM at which the ordinary resolutions will be proposed to consider and, if thought fit, to approve the CCT Agreements, the transactions contemplated thereunder and the respective Proposed Caps to be held at 3rd Floor Conference Room 3, Jin Tai Hotel, NO.38, Di'anmenxidajie, Xicheng District, Beijing, the PRC on Tuesday, 26 November 2013 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.

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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 Continuing Connected Transactions and its respective Proposed Caps are in the interests of the Company and the Independent 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 23 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 each of the Non-Exempted Continuing Connected Transactions and its respective Proposed Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Independent Shareholders as a whole. The text of the letter of advice from GF Capital is set out on pages 24 to 44 of this circular.

RECOMMENDATIONS

The Board believes that each of the Non-Exempted Continuing Connected Transactions and its respective Proposed Caps are in the interests of the Company and the Independent 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 Continuing Connected Transactions, the transactions contemplated under the CCT Agreements and its respective Proposed Caps.

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)

11 November 2013

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to the Shareholders dated 11 November 2013 (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 Continuing Connected Transactions and their respective Proposed Caps and to advise you as to whether, in our opinion, the Non-Exempted Continuing Connected Transactions and their respective Proposed Caps are fair and reasonable so far as the Shareholders are concerned. Details of the Non-Exempted Continuing Connected Transactions 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 Continuing Connected Transactions 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 Continuing Connected Transactions 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 Continuing Connected Transactions, the transactions contemplated under the CCT Agreements and its respective Proposed Caps are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Independent 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 Continuing Connected Transactions and its respective Proposed Caps.

Yours faithfully,

Mr. PAO Ping Wing

Mr. Thomas TAM

Ms. ZHENG Lin

Independent non-executive Directors

* *for identification purpose only*

LETTER FROM GF CAPITAL

The following is the text of the letter of advice 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

11 November 2013

*To the Independent Board Committee
and the Independent Shareholders*

Dear Sirs,

NON-EXEMPTED CONTINUING CONNECTED TRANSACTION

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 Continuing Connected Transactions and the transactions contemplated thereunder and the 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 11 November 2013 (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.

The Non-Exempted Continuing Connected Transactions (i.e. Continuing Connected Transactions falling within the categories of (i) sales of cable, power cord and relevant components to Jia Ya Purchaser Group; (ii) supply of finished external and internal signal cable assembly by Jia Ya Vendor Group; and (iii) cross Guarantee of banking facilities) are subject to reporting, announcement, annual review and approval by the Independent Shareholders requirements under Rule 14A.35 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.

Jia Ya Developments is wholly-owned by Mr. Chi, the controlling Shareholder, the chairman and the chief executive officer of the Company and an executive Director who is interested in approximately 40.87% interests of the Company as at the Latest Practicable Date. Following the Disposal Completion, Mr. Chi and Jia Ya Developments will, directly or indirectly, wholly-own each of the other members of Jia Ya Group (or for Shenzhen Communication, own as to 80%). Accordingly, Mr. Chi and each member of Jia Ya Group are considered to be connected persons of the Company under Chapter 14A of the Listing Rules upon the Disposal Completion.

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 the management of the Company regarding the Company and the terms of the Non-Exempted Continuing Connected Transactions. 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 the management of the Company respectively in the Circular were reasonably made after due enquiry.

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, Jia Ya Purchaser Group, Jia Ya Vendor Group, Jia Ya 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 Continuing Connected Transactions and the Proposed Caps, we have considered the following principal factors and reasons:

1. Background of and reasons for the Continuing Connected Transactions

As set out in the Letter from the Board, the Group is principally engaged in the provision of one-stop signal transmission and connectivity solutions and related products. The Group designs, develops, manufactures and sells a comprehensive range of products including external and internal signal cable assembly, signal transmission wire and cable, power cord assembly, connectors, antennas, automotive wiring harness, networks, terminals and other products. Currently, the businesses of the Group relating to the manufactures and sales of signal cable assembly, connectors, antennas and substantial part of signal transmission wire and cable are mainly conducted by certain members of the Group to be disposed of.

On 16 July 2013, the Company has obtained Independent Shareholders' approval for the Disposal (detail of which can be referred to the circular of the Company dated 27 June 2013 in relation to the proposed disposal of the entire issued share capital of Sumptuous Wealth which will, upon the Disposal Completion, hold Jia Ya Group (except Jia Ya Developments) and the segregation of the Remaining Group and Jia Ya Group has commenced thereafter as

LETTER FROM GF CAPITAL

contemplated under the Disposal. As of the Latest Practicable Date, such reorganisation is still ongoing. Due to the fact that Jia Ya Group (except Jia Ya Developments) is part of the Group as at the Latest Practicable Date and before the Disposal, Jia Ya Group has historically been involved (and will continue to be involved) in intragroup transactions with the Remaining Group, including, among other things, sales and purchases and financial assistance, which may not be terminated immediately after the Disposal Completion at that time. However, upon the Disposal Completion, such transactions will become continuing connected transactions of the Company under the Listing Rules.

(A) Master Sale Agreement and (B) 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 are currently owned by different subsidiaries of the Group. Before the 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, upon the Disposal Completion, some supplier codes will continue to be owned by the Remaining Group whereas some other supplier codes will be owned by Jia Ya Group. The Remaining Group has tried to retrieve or transfer the existing supplier codes or reapply the new supplier codes in order to eliminate the potential continuing connected transactions between the Remaining Group and Jia Ya Group but certain supplier codes are not transferrable and customers may take a long time to process the application for new supplier codes. In light of the above-mentioned, the Remaining Group and Jia Ya Group decided to use the supplier codes of each other so as to continue the business with their respective ultimate customers in the transitional stage after the Disposal Completion.

The Group has been manufacturing and selling finished cable in its ordinary course of business before the Disposal Completion and certain portion of the raw cable has been manufactured by Weihai Electronic (being a member of the Remaining Group). The Remaining Group will continue to sell the raw cable to Jia Ya Group where the prices offered to Jia Ya Group are no less favourable than those to other independent customers.

(B) 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 Jia Ya Guarantee Group is a subsidiary of the Group before the Disposal Completion and most of the members of HL Guarantee Group and Jia Ya 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 considered that it may be more practicable if Jia Ya Guarantee Group can provide the corporate guarantee on the relevant banking facilities. The banking facilities of HL Guarantee Group will be utilised as a supplement

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to its working capital and basic construction and maintenance of fixed assets whilst the banking facilities of Jia Ya Guarantee Group will be utilised as a supplement to its working capital and basic construction and maintenance of fixed assets. As certain members of Jia Ya Guarantee Group will also have business relationship with the Remaining Group, the Board believes that the Group will be able to benefit from the financing as guaranteed by Jia Ya Guarantee Group as well as the continuation of business relation with Jia Ya Guarantee Group.

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 Master Sales Agreement, (B) the Master Purchase Agreement and (C) the Cross Guarantee Agreement in order to continue certain existing intragroup transactions between the Remaining Group and Jia Ya Group in the ordinary and usual course of business after the Disposal Completion, especially taking into account of such nature as a transitional arrangement whereby the Group will continue to completely segregate all these transactions in near future.

2. Principal terms of the Non-Exempted Continuing Connected Transactions

On 29 October 2013, HL Vendor Group and Jia Ya Purchaser Group entered into the Master Sale Agreement in relation to the sale of cable, power cord and relevant components by HL Vendor Group (and its respective subsidiaries from time to time) to Jia Ya Purchaser Group (and its respective subsidiaries from time to time) and the use of supplier codes held by Jia Ya Purchaser Group to ultimate customers for a period commencing from the date of the Master Sale Agreement, or the fulfilment of all conditions precedent to the Master Sale Agreement as set out in the paragraph headed "Conditions Precedent to the CCT Agreements" inside the Letter from the Board (whichever is later) to 31 December 2014.

On 29 October 2013, Jia Ya Vendor Group entered into the Master Purchase Agreement with HL Purchaser Group in relation to the sale of finished external and internal signal cable assembly by Jia Ya Vendor Group (and its respective subsidiaries from time to time) to HL Purchaser Group (and its respective subsidiaries from time to time) and to use supplier codes held by HL Purchaser Group to ultimate customers for a period commencing from the date of the Master Purchase Agreement, or the fulfilment of all conditions precedent to the Master Purchase Agreement, as set out in the paragraph headed "Conditions Precedent to the CCT Agreements" inside the Letter from the Board (whichever is later) to 31 December 2014.

On 29 October 2013, HL Guarantee Group and Jia Ya Guarantee Group entered into the Cross Guarantee Agreement 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 Jia Ya Guarantee Group (and its respective subsidiaries from time to time) for an aggregate revolving amount not exceeding RMB415 million (equivalent to approximately HK\$498 million) and RMB475 million (equivalent to approximately HK\$570 million) for the financial years ending 31 December 2013 and 2014 respectively, and (ii) Jia Ya 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.

LETTER FROM GF CAPITAL

We analyse the key terms of each of (A) the Master Sales Agreement, (B) the Master Purchase Agreement and (C) the 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 and the Proposed Caps of the Non-Exempted Continuing Connected Transactions from 2010 to 2014 in the table below:

<i>RMB'000</i>		Actual historical amounts				Proposed Caps	
		2010	2011	2012	2013*	2013	2014
A. Sales to Jia Ya Purchaser Group	A.1	32,567	62,799	75,188	51,905	75,000	200,000
	Cable						
	<i>Growth %</i>		+93%	+20%	N/A	-0%	+167%
	A.2	0	23,809	111,448	57,239	80,000	90,000
	Power cord and relevant components						
	<i>Growth %</i>		N/A	+368%	N/A	-28%	+13%
	Total	32,567	86,608	186,636	109,145	155,000	290,000
	<i>(relevant fee for using a supplier code of Jia Ya Purchaser Group)</i>					<i>(800)</i>	<i>(900)</i>
	<i>Growth %</i>		+166%	+115%	N/A	-17%	+87%
	The Group's total sales	1,413,960	1,865,376	1,933,675	1,510,960	2,195,243	1,394,085**
<i>Proportion %</i>	2%	5%	10%	7%	7%	21%	
B. Supply by Jia Ya Vendor Group	B.1	37,748	64,052	19,154	20,465	60,000	150,000
	Finished external signal cable assembly						
	<i>Growth %</i>		+70%	-70%	N/A	+213%	+150%
	B.2	2,740	0	388	23,370	42,000	52,000
	finished internal signal cable assembly						
	<i>Growth %</i>		N/A	N/A	N/A	+10,725%	+24%
	Total	40,488	64,052	19,542	43,836	102,000	202,000
	<i>(relevant fee for using a supplier code of HL Purchaser Group)</i>					<i>(1,020)</i>	<i>(2,020)</i>
	<i>Growth %</i>		+58%	-69%	N/A	+422%	+98%
	The Group's total cost of sales	1,088,346	1,486,971	1,652,420	1,264,537	1,984,980	1,271,704**
<i>Proportion %</i>	4%	4%	1%	3%	5%	16%	

LETTER FROM GF CAPITAL

<i>RMB'000</i>		Actual historical amounts				Proposed Caps	
		For the year ended/ending 31 December					
		2010	2011	2012	2013*	2013	2014
C.	C.1	52,850	135,367	231,887	391,941	415,000	475,000
Reciprocally Guarantee on banking facilities	Guarantee provided by HL Guarantee Group to Jia Ya Guarantee Group (aggregate of highest level of indebtedness during the guarantee period)	(32,960)	(107,804)	(156,051)	(280,158)	9,960	11,400
	Guarantee fee charged by HL Guarantee Group						
	<i>Growth %</i>		+156%	+71%	+69%	+6%	+14%
			(+227%)	(+45%)	(+80%)		
	<i>Proportion % of highest level of indebtedness</i>	62%	80%	67%	71%	N/A	N/A
	<i>Proportion % of the Guarantee over the Group's total assets of RMB3,468,166,000 as at 30 June 2013</i>	2%	4%	7%	11%	12%	14%
	C.2	40,000	100,000	326,000	736,000	736,000	856,000
	Guarantee provided by Jia Ya Guarantee Group to HL Guarantee Group (aggregate of highest level of indebtedness during the guarantee period)	(24,275)	(55,065)	(250,594)	(588,491)	14,132	16,436
	Guarantee fee charged by Jia Ya Guarantee Group						
	<i>Growth %</i>		+150%	+226%	+126%	+0%	+16%
			(+127%)	(+355%)	(+135%)		
	<i>Proportion % of highest level of indebtedness</i>	61%	55%	77%	80%	N/A	N/A
	<i>Proportion % of the Guarantee over the Group's total assets of RMB3,468,166,000 as at 30 June 2013</i>	1%	3%	9%	21%	21%	25%

* For the nine months ended 30 September 2013

** representing internal budget for 2013 and 2014

In determining the Proposed Caps for the Non-Exempted Continuing Connected Transactions for each of the two financial years ending 31 December 2013 and 2014, the Board has based its estimates on the sales, purchase and guarantee forecast of the relevant years 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) Master Sales Agreement and (B) Master Purchase Agreement

- (i) the actual transacted quantity and amounts for the three financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 respectively;

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Our analysis on

(A) Master Sales Agreement

As illustrated in the table above, we note that the relevant latest actual historical sales amount of approximately RMB109,145,000 for the nine months ended 30 September 2013 already accounts for (on a pro-rata basis of 12/9) approximately 94% of the Proposed Cap to be sought of RMB155,000,000 for the year ending 31 December 2013. On such basis, we consider the Proposed Cap to be sought of RMB155,000,000 for the year ending 31 December 2013 is not excessive based on the latest actual historical amount, especially taking into account:

- (1) the actual historical upward trend of increasing actual historical sales amount from 2010 to 2013Q3; and
- (2) each of the actual historical growth rate of actual historical sales amount of +166% and +115% for 2011 and 2012 is much higher than that of the Proposed Cap to be sought of -17% and +87% for 2013FY and 2014.

We have reviewed the actual transacted quantity and the actual transacted unit price as provided by the Company for the nine months ended 30 September 2013 for both product categories of cable, power cord and relevant components. Upon comparison, it comes to our attention that the proposed unit price for each of the two financial years ending 31 December 2013 and 2014 is not more than 4% up from (and hence is not excessively higher than) the actual transacted unit price as provided by the Company for the nine months ended 30 September 2013 for both product categories of cable, power cord and relevant component.

(B) Master Purchase Agreement

As illustrated in the table above, we note that the relevant latest actual historical purchase amount of approximately RMB43,836,000 for the nine months ended 30 September 2013 merely accounts for (on a pro-rata basis of 12/9) approximately 57% of the Proposed Cap to be sought of RMB102,000,000 for the year ending 31 December 2013. On such basis, we consider the Proposed Cap to be sought of RMB102,000,000 for the year ending 31 December 2013 is disproportionately excessive based solely on the latest actual historical amount.

In turn, we have reviewed the actual transacted quantity and the actual transacted unit price as provided by the Company for the nine months ended 30 September 2013 for both product categories of external and internal signal cable assembly. Upon comparison, it comes to our attention that the proposed unit price for each of the two financial years ending 31 December 2013 and 2014 is not more than 2% up from (and hence is not excessively higher than) the actual transacted unit price as provided by the Company for the nine months ended 30 September 2013 for both product categories of finished external and internal signal cable assembly.

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Hence, we observe that the overriding majority of increment of the Proposed Cap to be sought of RMB290,000,000 for the year ending 31 December 2014 is attributable to the substantial increase in the proposed quantity to be transacted for both product categories of cable, power cord and relevant components. In this connection, we have enquired and have been explained by the Directors such increase in the proposed quantity is mainly attributable to a sizeable new demand for processed cable product from a new ultimate multi-national listed client based in the United States (amounting to an estimated monthly order of not less than US\$2 million). For further assessment, we have enquired and have reviewed the production plan for such (A1) Jia Ya Purchaser Group's end-customer due to its back-to-back demand on hand or indication of interests from October 2013 to August 2014 as circulated by the Company, based on which we have discussed with the Directors and concur with their view that it is a reasonable expectation and an acceptable market practice for manufacturers to (base on recent demand on hand or indication of interests) add up the monthly new order of not less than US\$2 million (roughly not less than RMB12.5 million) x (1) 3 months or x (2) 12 months (by time extrapolation after August 2014 with the same order amount) onto the relevant latest actual historical sales amount of approximately RMB109,145,000 for the nine months ended 30 September 2013 up to

- (1) roughly the Proposed Cap to be sought of RMB155,000,000 for the year ending 31 December 2013 (with a shortfall buffer of less than 10%); or
- (2) more than the Proposed Cap to be sought of RMB290,000,000 for the year ending 31 December 2014.

Hence, we observe that the overriding majority of increment of the Proposed Cap to be sought of RMB102,000,000 and RMB202,000,000 for each of the two financial years ending 31 December 2013 and 31 December 2014 is attributable to the substantial increase in the proposed quantity to be transacted for both product categories of finished external and internal signal cable assembly. In this connection, we have enquired and have been explained by the Directors such increase in the proposed quantity is attributable to (1) a sizeable new demand for Jia Ya Vendor Group's new USB 3.0 product (via HL Purchaser Group as the supplier code provider) from an existing ultimate multi-national listed client based in Korea (amounting to an estimated monthly order of RMB8 million); and (2) new demand for Jia Ya Vendor Group's existing FFC and RGB product (via HL Purchaser Group as the supplier code provider) from another existing ultimate multi-national listed client based in Korea (amounting to estimated monthly orders of RMB5+4.5 million). For further assessment, we have enquired and have reviewed the production plans for such (B) Jia Ya Vendor Group's end-customers due to its back-to-back demands on hand or indication of interests from October 2013 to March 2014 (as to FFC product of RMB5 million) and further to July 2014 (as to USB 3.0 product RMB8 million + RGB product of 4.5 million) as circulated by the Company, based on which we have discussed with the Directors and concur with their view that it is a reasonable expectation and an acceptable market practice for manufacturers to (base on recent demand on hand or indication of interests) add up the monthly aggregate new orders of RMB17 million x (1) 3 months or x (2) 12 months (by time extrapolation after July 2014 with the same order amount) onto the relevant latest actual historical purchase amount of approximately RMB43,836,000 for the nine months ended 30 September 2013 up to

- (1) roughly the Proposed Cap to be sought of RMB102,000,000 for the year ending 31 December 2013 (with a shortfall buffer of less than 10%); or
- (2) more than the Proposed Cap to be sought of RMB202,000,000 for the year ending 31 December 2014.

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- (ii) the anticipated increase in ultimate customers' demand on the products of HL Vendor Group and (A2) the need of using relevant supplier codes held by Jia Ya Purchaser Group;

**Our analysis on
(A) Master Sales Agreement**

In order to assess the anticipated increase in ultimate customers' demand on the products of HL Vendor Group, we have enquired and have been explained by the Directors that up to 30 September 2013, HL Vendor Group has already actually sold (and has planned internally to sell) to Jia Ya Purchaser Group a total of approximately 70% (and 52%) of the annual budgeted sales orders of RMB155,000,000 (and RMB290,000,000) (representing each of the Proposed sales orders under the Master Sales Agreement) for each of the two financial years ending 31 December 2013 and 2014 (due to back-to-back demand on hand or indication of interests (with time extrapolation thereof up to 31 December 2014) from (A1) Jia Ya Purchaser Group's and/or (A2) HL Vendor Group's end-customers).

We have enquired and have been explained by the Directors that HL Vendor Group has the adequate production capacity to meet the product demand as required under the Proposed Cap for each of the two financial years ending 31 December 2013 and 2014.

For the (A2) relevant fee for using a supplier code of Jia Ya Purchaser Group, we have enquired and have been explained by the Directors that as to RMB800,000 and RMB900,000 for each of the two financial years ending 31 December 2013 and 2014 are derived from the supplier code fee of 1% as multiplied solely by the second product category (namely, power cord and relevant components) of RMB80,000,000 and RMB90,000,000 for the same years, excluding (A1) the first product category (namely, cable) because HL Vendor Group is selling raw cable to Jia Ya Purchaser Group for Jia Ya Purchaser Group's own onward processing without necessitating to use the supplier code held by Jia Ya Purchaser Group and without designating the end-customer by HL Vendor Group.

- (iii) (A1) the anticipated increase in purchase volume of Jia Ya Purchaser Group to meet its production target (after taking into account a significant increase in demand on processed products of Jia Ya Purchaser Group attributable to its new and well-known ultimate customer);

**Our analysis on
(A) Master Sales Agreement**

We have enquired and have been explained by the Directors that Jia Ya Purchaser Group anticipates an increase in purchase volume to meet its production target for a sizeable new demand for processed cable product from a new ultimate multi-national listed client based in the United States (amounting to an estimated monthly order of not less than US\$2 million).

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- (iv) (B1) and (B2) the anticipated increase in ultimate customers' demand on the products of Jia Ya Vendor Group and the need of using relevant supplier codes held by the HL Purchaser Group (after taking into account the demand on new product of Jia Ya Vendor Group by its well-known ultimate customer); and

**Our analysis on
(B) Master Purchase Agreement**

We have enquired and have been explained by the Directors the anticipated increase in the ultimate customers' demand on the products of Jia Ya Vendor Group is attributable to new USB 3.0 product (via HL Purchaser Group as the supplier code provider) from an existing ultimate multi-national listed client based in Korea (amounting to an estimated monthly order of RMB8 million).

In order to further assess the anticipated increase in ultimate customers' demand on the products of Jia Ya Vendor Group, we have enquired and have been explained by the Directors that up to 30 September 2013, HL Purchaser Group has already actually purchased (and has planned internally to place purchase orders) a total of approximately 43% (and 74%) of the annual budgeted purchase orders of RMB102,000,000 (and RMB202,000,000) (representing each of the Proposed Caps under the Master Purchase Agreement) for each of the two financial years ending 31 December 2013 and 2014 from Jia Ya Vendor Group (due to back-to-back demand on hand or indication of interests (with time extrapolation of new USB 3.0 product and existing RGB product thereof up to 31 December 2014) from Jia Ya Vendor Group's end-customers).

We have enquired and have been explained by the Directors that Jia Ya Vendor Group has the adequate production capacity to meet the product demand as required under the Proposed Cap for each of the two financial years ending 31 December 2013 and 2014.

For the relevant fee for using a supplier code of HL Purchaser Group, we have enquired and have been explained by the Directors that as to RMB1,020,000 and RMB2,020,000 for each of the two financial years ending 31 December 2013 and 2014 are derived from the supplier code fee of 1% as multiplied by both product categories of finished external and internal signal cable assembly of RMB102,000,000 and RMB202,000,000 for the same years.

- (v) the prevailing and anticipated unit price of the products to be transacted.

**Our analysis on
(A) Master Sales Agreement (B) Master Purchase Agreement**

Upon comparison, it comes to our attention that the proposed unit price for each of the two financial years ending 31 December 2013 and 2014 is not more than 4% up from (and hence is not excessively higher than) the actual transacted unit price as provided by the Company for the nine months ended 30 September 2013 for both product categories of cable, power cord and relevant component.

Upon comparison, it comes to our attention that the proposed unit price for each of the two financial years ending 31 December 2013 and 2014 is not more than 2% up from (and hence is not excessively higher than) the actual transacted unit price as provided by the Company for the nine months ended 30 September 2013 for both product categories of finished external and internal signal cable assembly.

Based on our above analysis, and given further that (A) the Proposed Cap to be sought of RMB290,000,000 represents not more than approximately 21% of the Group's budgeted total annual sales for the year ending 31 December 2014; and (B) the Proposed Cap to be sought of RMB202,000,000 represents not more than

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approximately 16% of the Group's budgeted total annual cost of sales for the year ending 31 December 2014, we consider that the Proposed Caps under each of the Master Sales Agreement and the Master Purchase Agreement have been arrived at on an acceptable and pre-determined basis.

(C) Cross Guarantee Agreement

- (i) the amount guaranteed by each other of HL Guarantee Group and Jia Ya Guarantee Group for the three financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 respectively;

Our analysis on

C.1 Guarantee provided by HL Guarantee Group to Jia Ya Guarantee Group	C.2 Guarantee provided by Jia Ya 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 RMB391,941,000 for the nine months ended 30 September 2013 already accounts for approximately 94% of the Proposed Cap to be sought of RMB415,000,000 for the year ending 31 December 2013. On such basis, we consider the Proposed Cap to be sought of RMB415,000,000 for the year ending 31 December 2013 is not excessive based on the latest actual historical amount, especially taking into account:</p> <p>(3) the actual historical upward trend of increasing actual historical guarantee amount from 2010 to 2013Q3; and</p> <p>(4) each of the actual historical growth rate of actual historical guarantee amount to Jia Ya Guarantee Group of +156%, +71% and +69% for 2011, 2012 and 2013Q3 is much higher than that of the Proposed Cap to be sought of +6% and +14% for 2013FY and 2014.</p> <p>Upon further comparison, it comes to our attention that the Proposed Cap to be sought of RMB475,000,000 for the year ending 31 December 2014 is approximately 14% up from (and hence is not excessively higher than) the Proposed Cap to be sought of RMB415,000,000 for the year ending 31 December 2013.</p>	<p>As illustrated in the table above, we note that the relevant latest actual historical guarantee amount of approximately RMB736,000,000 for the nine months ended 30 September 2013 already accounts for 100% of the Proposed Cap to be sought of RMB736,000,000 for the year ending 31 December 2013. On such basis, we consider the Proposed Cap to be sought of RMB736,000,000 for the year ending 31 December 2013 is not excessive based on the latest actual historical amount, especially taking into account:</p> <p>(1) the actual historical upward trend of increasing actual historical guarantee amount from 2010 to 2013Q3; and</p> <p>(2) each of the actual historical growth rate of actual historical guarantee amount to HL Guarantee Group of +150%, +226% and +126% for 2011, 2012 and 2013Q3 is much higher than that of the Proposed Cap to be sought of 0% and +16% for 2013FY and 2014.</p> <p>Upon further comparison, it comes to our attention that the Proposed Cap to be sought of RMB856,000,000 for the year ending 31 December 2014 is approximately 16% up from (and hence is not excessively higher than) the Proposed Cap to be sought of RMB736,000,000 for the year ending 31 December 2013.</p>

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- (ii) the highest level of indebtedness of each of HL Guarantee Group and Jia Ya Guarantee Group pursuant to the relevant guarantee for the three financial years ended 31 December 2010, 2011 and 2012 and the nine months ended 30 September 2013 respectively; and

Our analysis on

C.1 Guarantee provided by HL Guarantee Group to Jia Ya Guarantee Group	C.2 Guarantee provided by Jia Ya Guarantee Group to HL Guarantee Group
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As illustrated in the table above, we note that the relevant latest actual historical aggregate of highest level of indebtedness of Jia Ya Guarantee Group pursuant to the relevant guarantee of approximately RMB280,158,000 for the nine months ended 30 September 2013 already accounts for approximately 68% of the Proposed Cap to be sought of RMB415,000,000 for the year ending 31 December 2013.

On such basis, we consider the Proposed Cap to be sought of RMB415,000,000 for the year ending 31 December 2013 is not excessive based on the latest actual historical amount, especially taking into account:

- (1) the actual historical upward trend of increasing amount of aggregate of highest level of indebtedness of Jia Ya Guarantee Group from 2010 to 2013Q3; and
- (2) each of the actual historical growth rate of aggregate of highest level of indebtedness of Jia Ya Guarantee Group of +227%, +45% and +80% for 2011, 2012 and 2013Q3 is much higher than that of the Proposed Cap to be sought of +6% and +14% for 2013FY and 2014.

As illustrated in the table above, we note that the relevant latest actual historical aggregate of highest level of indebtedness of HL Guarantee Group pursuant to the relevant guarantee of approximately RMB588,491,000 for the nine months ended 30 September 2013 already accounts for approximately 80% of the Proposed Cap to be sought of RMB736,000,000 for the year ending 31 December 2013.

On such basis, we consider the Proposed Cap to be sought of RMB736,000,000 for the year ending 31 December 2013 is not excessive based on the latest actual historical amount, especially taking into account:

- (1) the actual historical upward trend of increasing amount of aggregate of highest level of indebtedness of HL Guarantee Group from 2010 to 2013Q3; and
- (2) each of the actual historical growth rate of aggregate of highest level of indebtedness of HL Guarantee Group of +127%, +355% and +135% for 2011, 2012 and 2013Q3 is much higher than that of the Proposed Cap to be sought of 0% and +16% for 2013FY and 2014.

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

Our analysis on

C.1

Guarantee provided by HL Guarantee Group to Jia Ya Guarantee Group

According to point (iii) of the Proposed Caps (A) and (B) set out in the previous section, we note that “there is anticipated increase in purchase volume of Jia Ya Purchaser Group to meet its production target”.

In this connection, we have enquired and have been explained by the Directors that Jia Ya Guarantee Group anticipates an increase in purchase volume to meet its production target for a sizeable new demand for processed cable product from a new ultimate multi-national listed client based in the United States (amounting to an estimated monthly order of not less than US\$2 million).

Accordingly, we have been explained by the Directors that there is anticipated continual demand for bank loan facilities of not less than (C1) RMB415,000,000 for the year ending 31 December 2013 and (C1) RMB475,000,000 for the year ending 31 December 2014 for Jia Ya Guarantee Group taking into account its operational need and production target.

C.2

Guarantee provided by Jia Ya Guarantee Group to HL Guarantee Group

We have enquired and have been explained by the Directors that a sizeable demand is anticipated for Jia Ya Guarantee Group’s (1) new USB 3.0 product (via HL Guarantee Group as the supplier code provider) from an existing ultimate multi-national listed client based in Korea (amounting to an estimated monthly order of RMB8 million); and (2) new demand for Jia Ya Vendor Group’s existing FFC and RGB product (via HL Purchaser Group as the supplier code provider) from another existing ultimate multi-national listed client based in Korea (amounting to estimated monthly orders of FFC product of RMB5 million + RGB product of 4.5 million).

Accordingly, we have been explained by the Directors that there is anticipated continual demand for bank loan facilities of not less than (C2) RMB736,000,000 for the year ending 31 December 2013 and (C2) RMB856,000,000 for the year ending 31 December 2014 for HL Guarantee Group taking into account its operational need and production target.

In assessing the financial health of Jia Ya Guarantee Group (for which banking facilities HL Guarantee Group is to provide Guarantee pursuant to the Cross Guarantee Agreement), we have reviewed the unaudited management accounts of Jia Ya Guarantee Group as at 30 September 2013 (being the latest available date of financial position) and noted that (i) net assets and (ii) cash balance of Jia Ya Guarantee Group amounted to approximately RMB493 million and RMB85 million respectively as at 30 September 2013.

Based on the aforesaid financial position of Jia Ya Guarantee Group, and assuming that such financial position of Jia Ya Guarantee Group will not have material adverse change, we understand from the Directors that Jia Ya Guarantee Group is expected to be able to fulfill its repayment obligations should they become due, after taking into further account our understanding from the Directors that Jia Ya Guarantee Group has agreed to pledge its self-owned land and building assets as additional security (amounting to over RMB100 million) to the relevant banks of Jia Ya Guarantee Group for the purpose of mitigating HL Guarantee Group’s potential

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liability in honoring the reciprocal Guarantee provided to Jia Ya Guarantee Group (being (C1) RMB415,000,000 and RMB475,000,000 for each of the two financial years ending 31 December 2013 and 2014)).

Based on our above analysis, and given further that

- (1) the Proposed Cap to be sought under the Guarantee provided to HL Guarantee Group (being (C2) RMB736,000,000 and RMB856,000,000 for each of the two financial years ending 31 December 2013 and 2014) is much higher than the Guarantee provided to Jia Ya Guarantee Group (being (C1) RMB415,000,000 and RMB475,000,000 for each of the two financial years ending 31 December 2013 and 2014); and
- (2) each of the reciprocal Guarantee accounts for not more than 25% of the Group's total assets of RMB3,468,166,000 as at 30 June 2013,

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

(II) Pricing

Pursuant to both of the Master Sales Agreement and the Master Purchase Agreement, the pricing for products are to be transacted on normal commercial terms and based upon the fair 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 (A1) products to be sold to Jia Ya Purchaser Group for its onward processing without the use of its supplier code, price 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 Jia Ya Purchaser Group solely for its onward sales using its supplier code, 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 Jia Ya 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.

(A) Master Sales Agreement

For (A1) transactions, we have reviewed price quotations/contracts for the sale by HL Vendor Group to (i) Jia Ya Purchaser Group and (ii) the independent third party customers of the similar cable (for onward processing without using any supplier code held by Jia Ya Purchaser Group) in 2013 (which are advised by the Company as representative samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing unit pricing per product under the Master Sales Agreement were generally not lower than those terms available to the independent third party customers, and hence were on normal commercial terms.

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For (A2) transactions which we understand from the Directors are solely for the purpose of using supplier code of Jia Ya 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 Jia Ya Purchaser Group and (ii) the onward sale by Jia Ya Purchaser Group to the ultimate customers of HL Vendor Group.

If transactions pursuant to the Master Sales Agreement are solely for the purpose of using any supplier code of Jia Ya 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 initially agreed as 1% of the sales amount pursuant to the Master Sales Agreement.

We have reviewed price quotations/contracts for the sale by HL Vendor Group to (i) Jia Ya Purchaser Group and (ii) the independent third party supplier code providers of the similar power cord and relevant components in 2011 and 2012 (which are advised by the Company as representative samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing supplier code fee of initially agreed as 1% under the Master Sales Agreement were generally not higher than those available to the independent supplier code providers, and hence were on normal commercial terms.

(B) Master Purchase Agreement

We have been confirmed by the Company that both (B1) and (B2) transactions are solely for the purpose of using supplier code of HL Purchaser Group to sell the relevant products to the ultimate customers of Jia Ya 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 Jia Ya Vendor Group to HL Purchaser Group and (ii) the onward sale by HL Purchaser Group to the ultimate customers of Jia Ya Vendor Group.

If transactions pursuant to the Master Purchase Agreement are solely for the purpose of using any supplier code of HL Purchaser Group to sell the relevant products to the ultimate customers of Jia Ya Vendor Group, a fee based on the relevant sales amount to the ultimate customers will be charged to Jia Ya 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 initially agreed as 1% of the sales amount pursuant to the Master Purchase Agreement.

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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) Jia Ya Purchaser Group and (ii) the independent third party supplier code providers of the power cord and relevant components in 2011 and 2012 (which are advised by the Company as representative samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing supplier code fee initially agreed as 1% under the Master Purchase Agreement were equal to that charged under the Master Sales Agreement and were generally comparable to (though not more than) those available from the independent supplier code providers, and hence were on normal commercial terms.

(C) Cross Guarantee Agreement

Pursuant to the 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 Jia Ya Guarantee Group in respect of the issue of Guarantee. For (C1), such fee rate was determined with reference to the prevailing market rate based on the quotation obtained by the HL Guarantee Group and available market intelligence (such as relevant information published by other listed companies). For (C2), such fee rate was determined (i) with reference to the prevailing market rate based on the quotation obtained by the Jia Ya Guarantee Group and available market intelligence (such as relevant information published by other listed companies); and (ii) after taking into a discount for the 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 Jia Ya Guarantee Group by the independent third party guarantee service providers for banking facilities of Jia Ya Guarantee Group in 2013, which include 蘇州國發擔保有限責任公司 (Suzhou National Development Guarantee Co. Ltd.*)、蘇州青企擔保有限責任公司 (Suzhou Qingqi Guarantee Co. Ltd.*)、常熟錄豐擔保有限責任公司 (Changshu Lufeng Guarantee Co. Ltd.*) and 山東銀聯擔保有限公司 (Shandong Yinlian Guarantee Co. Ltd.*) (which are advised by the Company as representative samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing (C1) fee of 2.4% adopted under the Cross Guarantee Agreement were generally not lower than those terms available from the independent third party guarantee service providers, and hence were on normal commercial terms. As our further independent due diligence exercise, we have compared the prevailing (C1) fee of 2.4% adopted under the Cross Guarantee Agreement with the fee scale charged by a listed company engaging in corporate credit guarantee services in the PRC (as set out in its prospectus dated 29 December 2011), and found it to be within the range of 0.72 % to 7% of the loan size, cap at

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50% of the benchmark loan interest and fees charged by the banks lending over the same period, or plus or minus 30%-50% of the benchmark rate depending on the level of risks of the specific guarantee.

Upon enquiry, 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 quotations for the guarantee fee charged to HL Guarantee Group by the independent third party guarantee service providers for banking facilities of HL Guarantee Group in 2013, which include 蘇州國發擔保有限責任公司 (Suzhou National Development Guarantee Co. Ltd.*)、蘇州青企擔保有限責任公司 (Suzhou Qingqi Guarantee Co. Ltd.*)、常熟錄豐擔保有限責任公司 (Changshu Lufeng Guarantee Co. Ltd.*) and 山東銀聯擔保有限公司 (Shandong Yinlian Guarantee Co. Ltd.*) (which are advised by the Company as representative samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing (C2) fee of 1.92% adopted under the Cross Guarantee Agreement were generally not higher than those terms available from the independent third party guarantee service providers, 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 Cross Guarantee Agreement with the fee scale charged by a listed company engaging in corporate credit guarantee services in the PRC (as set out in its prospectus dated 29 December 2011), and found it to be within the range of 0.72 % to 7% of the loan size, cap at 50% of the benchmark loan interest and fees charged by the banks lending over the same period, or plus or minus 30%-50% of the benchmark rate depending on the level of risks of the specific guarantee.

(III) Settlement

(A) Master Sales Agreement

Pursuant to the Master Sales Agreement, the amount payable by Jia Ya Purchaser Group shall be settled (A1) within 90 days after the amounts have been agreed by both parties (for sale to Jia Ya Purchaser Group without using any supplier code held by Jia Ya Purchaser Group); or (A2) within 30 days after receiving the relevant payment from the third party customers for the products sold (if transactions pursuant to the Master Sales Agreement are solely for the purpose of using any supplier code of Jia Ya 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) Jia Ya Purchaser Group and (ii) the independent third party customers of the similar cable, power cord and relevant components in 2012 (which are advised by the Company as representative samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing days of settlement (A1) within 90 days after the amounts have been agreed by both parties; and (A2) within

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30 days after receiving the relevant payment from the third party customers for the products sold under the Master Sales Agreement were generally comparable to those available to the independent third party customers, and hence were on normal commercial terms.

For transactions pursuant to the Master Sales Agreement are solely for the purpose of using any supplier code of Jia Ya 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) Jia Ya Purchaser Group and (ii) the independent third party supplier code providers of the similar power cord and relevant components in 2012 (which are advised by the Company as representative samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing days of settlement of supplier code fee within 45 days upon invoiced under the Master Sales Agreement were generally comparable to those available to the independent third party supplier code providers, and hence were on normal commercial terms.

(B) Master Purchase Agreement

Pursuant to the Master Purchase Agreement, (B) the amount payable by HL Purchaser Group shall be settled within 30 days after receiving the relevant payment from the third party customers for the products sold.

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) Jia Ya Purchaser Group and (ii) the independent third party customers of the similar power cord and relevant components in 2012 (which are advised by the Company as representative samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing days of settlement within 30 days after receiving the relevant payment from third party customers for the products sold under the Master Purchase Agreement were generally comparable to those available from the independent third party, and hence were on normal commercial terms.

For transactions pursuant to the Master Purchase Agreement are solely for the purpose of using any supplier code of HL Purchaser Group to sell the relevant products to the ultimate customers of Jia Ya Vendor Group, we have resorted to review price quotations/contracts for the sale by HL Vendor Group to (i) Jia Ya 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 and have further been reaffirmed by the Company that the prevailing days of settlement of

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supplier code fee within 45 days upon invoiced under the Master Purchase Agreement were generally comparable to those available to the independent supplier code providers, and hence were on normal commercial terms.

(C) Cross Guarantee Agreement

Pursuant to the 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 Jia Ya 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 settlement days quotations for the guarantee fee charged to Jia Ya Guarantee Group by the independent third party guarantee service providers for banking facilities of Jia Ya Guarantee Group in 2013, which include 蘇州國發擔保有限責任公司 (Suzhou National Development Guarantee Co. Ltd.*)、蘇州青企擔保有限責任公司 (Suzhou Qingqi Guarantee Co. Ltd.*)、常熟錄豐擔保有限責任公司 (Changshu Lufeng Guarantee Co. Ltd.*) and 山東銀聯擔保有限公司 (Shandong Yinlian Guarantee Co. Ltd.*) (which are advised by the Company as representative samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing (C1) settlement days of guarantee fee receivable by HL Guarantee Group under the Cross Guarantee Agreement were generally comparable to those available from the independent third party guarantee service providers, and hence were on normal commercial terms. As our further independent due diligence exercise, we have compared the prevailing (C1) settlement days of guarantee fee receivable by HL Guarantee Group under the Cross Guarantee Agreement with the payment terms charged by a listed company engaging in corporate credit guarantee services in the PRC (as set out in its prospectus dated 29 December 2011), and found it to be within the range of “due upon signing of the guarantee services contract; or payable by instalments which shall be fully settled before the final maturity date of the loan facility granted by the lending bank within a maximum period of not more than 360 days”.

Upon enquiry, 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 settlement days quotations for the guarantee fee charged to HL Guarantee Group by the independent third party guarantee service providers for banking facilities of HL Guarantee Group in 2013, which include 蘇州國發擔保有限責任公司 (Suzhou National Development Guarantee Co. Ltd.*)、蘇州青企擔保有限責任公司 (Suzhou Qingqi Guarantee Co. Ltd.*)、常熟錄豐擔保有限責任公司 (Changshu Lufeng Guarantee Co. Ltd.*) and 山東銀聯擔保有限公司 (Shandong Yinlian Guarantee Co. Ltd.*) (which are advised by the Company as representative

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samples). Upon comparison, we note that and have further been reaffirmed by the Company that the prevailing (C2) settlement days of guarantee fee payable by HL Guarantee Group under the Cross Guarantee Agreement were generally comparable to those available from the independent third party guarantee service providers, and hence were on normal commercial terms. As our further independent due diligence exercise, we have compared the prevailing (C2) settlement days of guarantee fee payable by HL Guarantee Group under the Cross Guarantee Agreement with the payment terms charged by a listed company engaging in corporate credit guarantee services in the PRC (as set out in its prospectus dated 29 December 2011), and found it to be within the range of “due upon signing of the guarantee services contract; or payable by instalments which shall be fully settled before the final maturity date of the loan facility granted by the lending bank within a maximum period of not more than 360 days”.

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 Continuing Connected Transactions:

- (i) each year the independent non-executive Directors must review the continuing connected transaction and confirm in the Company’s annual report and accounts that the continuing connected transaction have been entered into:
 - in the ordinary and usual course of business of the Company;
 - 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
 - in accordance with the agreement 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 accordance with the pricing policies of the Company if the continuing connected transaction involve provision of goods or services by the Company;
 - have been entered into in accordance with the relevant agreement governing the continuing connected transaction; and
 - have not exceeded the annual caps;

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- (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 transaction for the purpose of reporting on the continuing connected transaction. The Directors must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and
- (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.

Having considered, in particular, (i) the restriction of the value of the continuing connected transaction by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the continuing connected transaction 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 transaction and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors above, we consider that the entering into of the Non-Exempted Continuing Connected Transactions is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, the terms of the Non-Exempted Continuing Connected Transactions are of normal commercial terms, together with the 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, we advise the Independent Board Committee to recommend, and we also advise, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Non-Exempted Continuing Connected Transactions and the Proposed Caps.

Yours faithfully,

For and on behalf of

GF Capital (Hong Kong) Limited

Leo Ye

*Managing Director and
Head of Corporate Finance*

Harry Yu

Director

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 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 under in the Listing Rules to notify the Company and the Stock Exchange, were as follows:

Long position in the Shares:

Name of Directors	Capacity	Number of Shares	Approximate percentage of Shareholding (%)
Mr. Chi Shaolin	Interest of controlled corporation (<i>Note</i>)	294,283,839	40.87%

Note: Mr. Chi Shaolin is deemed to be interested in 294,283,839 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 Shaolin.

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 notify 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 was, 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 meeting of any member of the Group or had any options in respect of such capital, were as follow:

Name	Capacity	Number of Shares held	Approximate percentage of the issued share capital of the Company (%)
Chenlin International Joint Stock Company Limited	Security interest in shares of the corporation (<i>Note 1</i>)	294,283,839	40.87%
Splendor Sun Group Limited	Beneficial owner (<i>Note 2</i>)	60,945,383	8.46%
Chi Rongjie	Interest of controlled corporation (<i>Note 2</i>)	60,945,383	8.46%

Notes:

1. Chenlin International Joint Stock Company Limited held approximately 40.87% interest in the Company, which entire issue share capital is owned by Mr. Chi Shaolin.
2. Splendor Sun Group Limited is owned as to 65.87% by Mr. Chi Rongjie. Mr. Chi Rongjie is deemed to be interested in the 60,945,383 Shares held by Splendor Sun Group Limited for the purpose of the SFO.

Save as disclosed above, the Directors and the 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 2012, 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, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was 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 professional adviser who has given opinion or advice which is contained in this circular:

Name	Qualification
GF Capital	a licensed corporation under the SFO to carry out 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 2012, 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 3:00 p.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 of recommendation from the Independent Board Committee, the text of which is set out on page 23 of this circular;
- (b) the letter of recommendation from GF Capital, the text of which is set out on pages 24 to 44 of this circular;
- (c) the written consent from GF Capital referred to in the paragraph headed "Expert's consent and qualification" of this appendix; and
- (d) the CCT Agreements.

NOTICE OF THE EGM



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 3rd Floor Conference Room 3, Jin Tai Hotel, NO.38, Di’anmenxidajie, Xicheng District, Beijing, the People’s Republic of China on Tuesday, 26 November 2013 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 Weihai Mingbo Wire & Cable Technology Co., Ltd., Weihai Honglin Electronic Co., Ltd., Weihai Dongchen Plastics New Materials Co., Ltd., Weihai Jinyuan Mingye Property Development Co., Ltd., Wuhan Honglin Technology Co., Ltd., Dezhou Jincheng Electric Co., Ltd., Tianjin Rituo High Technology Co., Ltd., Huizhou Honglin Communication Technology Co., Ltd. and Shenyang New Postcom Co., Ltd. on the one side and Weihai Hongbo Wire & Cable Technology Co., Ltd., Dezhou Honglin Electronic Co., Ltd., Chongqing Honglin Technology 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 29 October 2013 (the “**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 caps in relation to the Master Sale Agreement for the two financial years ending 31 December 2013 and 31 December 2014 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 Master Sale Agreement and the transactions contemplated thereunder.”

* for identification purpose only

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2. “THAT

- (a) the master purchase agreement entered into between Weihai Mingbo Wire & Cable Technology Co., Ltd., Weihai Honglin Electronic Co., Ltd., Weihai Dongchen Plastics New Materials Co., Ltd., Weihai Jinyuan Mingye Property Development Co., Ltd., Wuhan Honglin Technology Co., Ltd., Dezhou Jincheng Electric Co., Ltd., Tianjin Rituo High Technology Co., Ltd., Huizhou Honglin Communication Technology Co., Ltd. and Shenyang New Postcom Co., Ltd. on the one side and Weihai Hongbo Wire & Cable Technology Co., Ltd., Dezhou Honglin Electronic Co., Ltd., Chongqing Honglin Technology 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 29 October 2013 (the “**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 caps in relation to the Master Purchase Agreement for the two financial years ending 31 December 2013 and 31 December 2014 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 Master Purchase Agreement and the transactions contemplated thereunder.”

3. “THAT

- (a) the master agreement of cross guarantee on banking facilities entered into between Weihai Mingbo Wire & Cable Technology Co., Ltd., Weihai Honglin Electronic Co., Ltd., Weihai Dongchen Plastics New Materials Co., Ltd., Weihai Jinyuan Mingye Property Development Co., Ltd., Wuhan Honglin Technology Co., Ltd., Dezhou Jincheng Electric Co., Ltd., Tianjin Rituo High Technology Co., Ltd., Huizhou Honglin Communication Technology Co., Ltd. and Shenyang New Postcom Co., Ltd. on the one side and Weihai Hongbo Wire & Cable Technology Co., Ltd., Dezhou Honglin Electronic Co., Ltd., Chongqing Honglin Technology 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 29 October 2013 (the “**Cross Guarantee Agreement**”, a copy of which has been produced to the Meeting marked “C” and initialed by the chairman of the Meeting for identification purpose) and the transactions

NOTICE OF THE EGM

contemplated thereunder be approved, ratified and confirmed, and the annual caps in relation to the Cross Guarantee Agreement for the two financial years ending 31 December 2013 and 31 December 2014 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 Cross Guarantee Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 11 November 2013

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

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.

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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.