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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)

DISCLOSEABLE TRANSACTION
CAPITAL INCREASE AGREEMENT

The Directors announce that Weihai Electronic, a wholly-owned subsidiary of the Company, has entered into the Capital Increase Agreement on 21 February 2011, pursuant to which Weihai Electronic has agreed to make Capital Contribution of RMB58.60 million (equivalent to approximately HK\$69.15 million) in aggregate to Tianjin Rituo, of which, (i) RMB6,111,111 (equivalent to approximately HK\$7,211,111) will be used to increase the registered capital of Tianjin Rituo from RMB5.00 million (equivalent to approximately HK\$5.90 million) to RMB11,111,111 (equivalent to approximately HK\$13,111,111), and (ii) RMB52,488,889 (equivalent to approximately HK\$61,936,889) will be treated as capital reserve of Tianjin Rituo. Prior to the Capital Increase, Tianjin Rituo was owned as to 70% and 30% by Wang Xiang and Wang Weiguo respectively, and upon completion of the Capital Increase, Tianjin Rituo will be held as to 31.5% by Wang Xiang, 13.5% by Wang Weiguo and 55.0% by Weihai Electronic.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, Tianjin Rituo, Wang Xiang and Wang Weiguo are third parties independent of the Company and connected persons of the Company.

In view of the applicable percentage ratios, the Capital Contribution constitutes a discloseable transaction as defined under Rules 14.06(2) of the Listing Rules which requires the publication of an announcement.

Weihai Electronic, a subsidiary of the Company, has entered into the Capital Increase Agreement on 21 February 2011, pursuant to which Weihai Electronic will contribute RMB58.60 million (equivalent to approximately HK\$69.15 million) in aggregate to Tianjin Rituo and the registered capital of Tianjin Rituo, will be increased from RMB5.00 million (equivalent to approximately HK\$5.90 million) to RMB11,111,111 (equivalent to approximately HK\$13,111,111).

THE CAPITAL INCREASE AGREEMENT

Date: 21 February 2011

Parties:

- (1) Wang Xiang;
- (2) Wang Weiguo;
- (3) Tianjin Rituo; and
- (4) Weihai Electronic.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, Tianjin Rituo, Wang Xiang and Wang Weiguo are third parties independent of the Company and connected persons of the Company.

Capital Increase: Tianjin Rituo was established as a limited liability company on 6 January 2005. Prior to the Capital Increase, Wang Xiang holds 70% of the equity interest in Tianjin Rituo and Wang Weiguo holds the remaining 30% equity interest. The registered capital of Tianjin Rituo was RMB5.00 million (equivalent to approximately HK\$5.90 million), of which RMB3.50 million (equivalent to approximately HK\$4.13 million) was contributed by Wang Xiang and the remaining RMB1.50 million (equivalent to approximately HK\$1.77 million) was contributed by Wang Weiguo.

Under the terms of the Capital Increase Agreement, Weihai Electronic agreed to make Capital Contribution of RMB58.60 million (equivalent to approximately HK\$69.15 million) to Tianjin Rituo, of which, (i) RMB6,111,111 (equivalent to approximately HK\$7,211,111) will be used to increase the registered capital of Tianjin Rituo from RMB5.00 million (equivalent to approximately HK\$5.90 million) to RMB11,111,111 (equivalent to approximately HK\$13,111,111), and (ii) RMB52,488,889 (equivalent to approximately HK\$61,936,889) will be treated as capital reserve of Tianjin Rituo. Upon completion of the Capital Increase, Tianjin Rituo will be held as to 31.5% by Wang Xiang, 13.5% by Wang Weiguo and 55.0% by Weihai Electronic. The board composition of Tianjin Rituo upon the completion of the Capital Increase will consist of five directors, where Wang Xiang and Wang Weiguo can each appoint a director to the board respectively, and Weihai Electronic can appoint three directors to the board.

The Capital Contribution to be made by Weihai Electronic shall be made by way of cash to the designated bank account(s) of Tianjin Rituo by no later than 31 March 2011.

The amount of Capital Contribution is determined based on the expected capital funds requirement of Tianjin Rituo to finance its capital and operating expenditures and with reference to the provision of the Profit Guarantee by the existing shareholders of Tianjin Rituo.

The Capital Contribution shall be satisfied by the internal resources of the Company, which include funding raised from the recent initial public offering of the Company.

Undertakings:

Pursuant to the terms of the Capital Increase Agreement, each of the parties agreed to do or procure all such acts as necessary to obtain all authorizations and approvals to be granted by the relevant government authorities in the PRC in relation to the Capital Increase.

Upon the Capital Increase Agreement becoming effective:

- a) The Company has undertaken that any future business and/or investment related to automotive wiring harness products would only be carried out by Tianjin Rituo, which would be a non-wholly owned subsidiary of the Company;
- b) Wang Xiang and Wang Weiguo have undertaken to the Group that (i) they will not dispose, transfer or decrease, in part or in full, any of their shareholdings in Tianjin Rituo to any third parties (other than Weihai Electronic) within five years upon the completion of the Capital Contribution; and (ii) they and their respective connected persons shall not conduct, directly or indirectly any business related to the Group including automotive wiring harness products.

If the above undertakings is breached by any of the parties hereunder, all profits generated from such breach will belong to Tianjin Rituo as compensation.

Right of first refusal: In addition, the Company will also enjoy through Weihai Electronic a right of first refusal to acquire the remaining interest in Tianjin Rituo under the same terms and conditions offered by Wang Xiang and/or Wang Weiguo to any third party for such interest.

Tianjin Rituo shall procure that all necessary registration for the change in shareholding structure be completed by 28 February 2011.

PROFIT GUARANTEE

Pursuant to the Capital Increase Agreement, the existing shareholders of Tianjin Rituo, Wang Xiang and Wang Weiguo, guarantee to Weihai Electronic that the aggregated amount of the audited net profit after tax of Tianjin Rituo for 2011 and 2012 will not be less than RMB40,000,000 (equivalent to approximately HK\$47,200,000). If the aggregated amount of the audited net profit after tax of

Tianjin Rituo for 2011 and 2012 is less than RMB40,000,000, Wang Xiang and Wang Weiguo shall pay Weihai Electronic 34.4% of the difference between the actual audited net profit after tax and RMB40,000,000, and Weihai Electronic will have to contribute such sum back into Tianjin Rituo through increasing the registered capital of Tianjin Rituo, while Wang Xiang and Wang Weiguo will proportionally contribute capital to Tianjin Rituo according to the sum that Weihai Electronic contributed. On the other hand, if the aggregated amount of the audited net profit after tax for 2011 and 2012 is higher than RMB40,000,000, Weihai Electronic shall pay Wang Xiang and Wang Weiguo 28.1% of the difference between RMB40,000,000 and the actual audited net profit after tax, which is capped at RMB22.50 million (equivalent to approximately HK\$26.55 million). Subsequently, Wang Xiang and Wang Weiguo will have to contribute such sum back into Tianjin Rituo through increasing the registered capital of Tianjin Rituo while Weihai Electronic will proportionally contribute capital to Tianjin Rituo according to the sum that Wang Xiang and Wang Weiguo each contributed.

Wang Xiang and Wang Weiguo also agreed that Weihai Electronic has been granted the actual control of Tianjin Rituo since 1 January 2011.

FINANCIAL EFFECTS OF THE CAPITAL CONTRIBUTION

Following completion of the Capital Increase Agreement, Tianjin Rituo will become a 55% owned subsidiary of the Group and financials of Tianjin Rituo will be consolidated in the Group's consolidated financial statements.

REASONS FOR, AND BENEFITS OF, THE CAPITAL CONTRIBUTION

The Capital Contribution by Weihai Electronic into Tianjin Rituo represents the Group's entry into the provision of automotive wiring harness used for signal transmission in the PRC automobile industry. The Directors believe that given this Capital Contribution, the Group will have immediate access to the customer base of Tianjin Rituo, which include leading automobile carmakers in the PRC, and through leveraging on the existing signal transmission and connectivity expertise and manufacturing know-how and capability of the Group, the business scale and profitability of Tianjin Rituo will be further increased. The investment in Tianjin Rituo represents an important milestone for the Group as it seeks to continue to execute its growth strategy through development of new products and/or entering into new industries whilst focusing on its core competency of providing signal transmission and connectivity solutions.

Post completion of the Capital Contribution, the Group will consider to undertake steps to improve the profitability of Tianjin Rituo, including but not limited to, moving part of its production facility to areas where labour wages are relatively lower, improving the manufacturing efficiency and putting in place more effective cost control.

The terms of the Capital Increase Agreement were arrived at after arm's length negotiations between the parties. The Directors believe that the increase in the registered capital of Tianjin Rituo will provide capital funds to enable Tianjin Rituo to finance its capital and operating expenditures.

The Directors believe that the Capital Contribution by Weihai Electronic to Tianjin Rituo pursuant to the terms of the Capital Increase Agreement is fair and reasonable and in the best interests of the Group and its shareholders as a whole.

LISTING RULES IMPLICATION

In view of the applicable percentage ratios, the Capital Contribution constitutes a discloseable transaction as defined under Rules 14.06(2) of the Listing Rules which requires the publication of an announcement.

INFORMATION ABOUT THE PARTIES

The Company is principally engaged in provision of one-stop signal transmission and connectivity solutions and related products. The Group design, develop, manufacture and sale a comprehensive range of products including external and internal signal cable assembly, signal transmission wire & cable, power cord assembly, connectors and wireless antennas.

Weihai Electronic is a wholly-owned subsidiary of the Company incorporated in the PRC, which is principally engaged in the business of manufacturing cable assembly products.

Tianjin Rituo and its only wholly-owned subsidiary, Tianjin Rituo Advanced Technology Co., Ltd (天津市日拓高科技有限公司), are principally engaged in the design, research and development, manufacture and sale of automotive wiring harness products. Wang Xiang and Wang Weiguo are the existing shareholders of Tianjin Rituo. Set out below are the consolidated financial results of Tianjin Rituo for the two years ended 31 December 2010, which were prepared in accordance with the PRC generally accepted accounting principles:

	For the year ended 31 December	
	2009	2010
	Unaudited^(Note)	Audited
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	142,249	206,361
Profit before tax and extraordinary items	7,557	1,360
Profit after tax and extraordinary items	5,668	575
		As at 31 December
		2010
		Audited
		<i>(RMB'000)</i>
Net asset value		16,656

Note: The consolidated financial accounts had not been audited as such audit was not required in the PRC.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Board”	board of Directors;
“Capital Increase”	the increase in the registered capital of Tianjin Rituo by the capital contribution of RMB6,111,111 by Weihai Electronic;
“Capital Contribution”	capital contribution in the amount of RMB58.60 million (equivalent to approximately HK\$69.15 million) to the registered capital and capital reserve of Tianjin Rituo by Weihai Electronic;
“Capital Increase Agreement”	a capital increase agreement dated 21 February 2011 entered into between Weihai Electronic, Wang Xiang, Wang Weiguo and Tianjin Rituo in relation to the increase of the registered capital of Tianjin Rituo and the Capital Contribution by Weihai Electronic;
“Company”	HL Technology Group Limited (泓淋科技集團有限公司*), a company incorporated with limited liability on 16 November 2007 under the laws of the Cayman Islands and the Shares of which are listed on the Stock Exchange (stock code: 1087);
“connected person”	has the same meaning ascribed to it under the Listing Rules;
“Director(s)”	director(s) of the Company;
“Group”	Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Profit Guarantee”	the provision of guarantee by Wang Xiang and Wang Weiguo to Weihai Electronic that the aggregated amount of the audited net profit after tax of Tianjin Rituo for 2011 and 2012 will not be less than RMB40,000,000 (equivalent to approximately HK\$47,200,000);

“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it in sections 2 and 2B of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Tianjin Rituo”	天津日拓汽車電裝有限公司 (Tianjin Rituo Automotive Electronics Co., Ltd.*), a limited liability company established on 6 January 2005 under the laws of the PRC;
“Wang Xiang”	Mr. Wang Xiang (王祥), the existing shareholder of Tianjin Rituo, who holds as to 70% of Tianjin Rituo before the Capital Increase;
“Wang Weiguo”	Mr. Wang Weiguo (王衛國), the existing shareholder of Tianjin Rituo, who holds as to 30% of Tianjin Rituo before the Capital Increase;
“Weihai Electronic”	Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司), a wholly foreign owned limited liability company incorporated in the PRC on 27 November 1997 with limited liability, which is a wholly-owned subsidiary of the Company;
“%”	percent.

For the purpose of this announcement, unless otherwise indicated, the exchange rate of RMB1.00 = HK\$1.18 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such a rate or at any other rates.

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

Hong Kong, 21 February 2011

As at the date of this announcement, the executive Directors are Mr. Chi Shaolin, Mr. Jiang Taike, Mr. Li Jianming, Mr. Tseng Chih-ming, Mr. Sui Shikai, Mr. Mao Wanjun and Mr. Kang Jin Won, the non-executive Directors are Ms. Xu Yiming, Mr. Du Li and Mr. Wu Kezhong, and the independent non-executive Directors are Mr. Shu Wa Tung, Laurence, Mr. Song Lizhong and Ms. Zheng Lin.

* for identification purposes only.