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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)**

### **CHANGE IN USE OF PROCEEDS**

Reference is made to the prospectus (the “Prospectus”) issued by HL Technology Group Limited (the “Company”, together with its subsidiaries, the “Group”) dated 3 November 2010 in relation to the first listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placement and public offer (the “Share Offer”).

As stated in the section headed “Future Plans and Use of Proceeds” of the Prospectus, the Company intended to use net proceeds raised from the Share Offer (the “IPO Proceeds”) as follows:

- (1) approximately 40.0% of the IPO Proceeds will be used to expand the production capacity of existing products;
- (2) approximately 44.0% of the IPO Proceeds will be used for development and production of new products;
- (3) approximately 6.0% of the IPO Proceeds will be used for research and development investments; and
- (4) approximately 10.0% of the IPO Proceeds will be used for general working capital of the Group and other general corporate purposes.

The IPO Proceeds received by the Company from the Share Offer were approximately HK\$470.3 million (or approximately RMB400.7 million). As at the date of this announcement, the Company utilized approximately RMB332.1 million of the IPO Proceeds, details of which are tabulated below:

<b>Intended use disclosed in the Prospectus</b>	<b>Amount of IPO Proceeds allocated as provided in the Prospectus <i>RMB million</i> (approximately)</b>	<b>Utilized amount <i>RMB million</i> (approximately)</b>	<b>Unutilized amount <i>RMB million</i> (approximately)</b>
Expanding production capacity of existing products	160.3	117.0	43.3
Development and production of new products	176.3	151.0	25.3
Research and development investments	24.0	24.0	0.0
General working capital and other general corporate purposes	<u>40.1</u>	<u>40.1</u>	<u>0.0</u>
<b>Total</b>	<b><u>400.7</u></b>	<b><u>332.1</u></b>	<b><u>68.6</u></b>

## **CHANGE IN USE OF PROCEEDS**

The total balance of the unutilized IPO Proceeds was approximately RMB68.6 million as at the date of this announcement and all of that were intended to use in expanding the production capacity of existing products and the development and production of new products of the Group in its Chongqing and Wuhan base originally. As set out in the announcements of the Company dated 27 September 2013, 26 November 2013 and 10 January 2014 respectively in relation to, among other things, (i) the disposal of the entire equity interest in 武漢市泓淋電子有限公司 (“Wuhan Honglin Electronic Company Limited\*”); (ii) the completion of the disposal of the entire issued share capital in Sumptuous Wealth Limited; and (iii) the disposal of the entire equity interest in 武漢市泓淋科技有限公司 (“Wuhan Honglin Technology Company Limited\*”), the businesses of the Group in Chongqing and Wuhan together with the investment in their production bases have already been disposed of due to the unfavorable operation environment in their business scope and their performance in recent years. In view of aforesaid changes, the board of directors of the Company (“Board”) considers that it is necessary to adjust the proposed use of the unutilized IPO Proceeds of approximately RMB68.6 million to the expansion of the domestic and international markets on the Group’s original products (excluding network products and terminal products relating to the business newly acquired by the Group on 31 January 2013 after the completion of the acquisition of the entire issued share capital in Rosy Sun Investments Limited), research and development investments in the Group’s original products, mainly the halogen-free power cord and general working capital such as talent recruitment and equipment maintenance, since the IPO Proceeds originally allocated to research and development investments and general working capital have been fully utilized and the Group reckons the need for increasing investments in the research and development

having considered the current business profile of the Group and the industry trend whereas the newly allocated IPO Proceeds can serve as the supplement to the general working capital of the Group which can mitigate the pressure on the Group.

The Company has resolved to change the proposed use of unutilized IPO Proceeds in the following manner:

<b>New intended use</b>	<b>New allocation of the unutilized IPO Proceeds RMB million (approximately)</b>
Expansion of domestic and international markets on the Group's original products	13.6
Research and development investments	20.0
General working capital and other general corporate purposes	<u>35.0</u>
Total	<u><u>68.6</u></u>

The Board has considered the impact of the proposed change in the use of proceeds on the Group's business and is of the view that the new allocation of the unutilized IPO Proceeds will meet the overall financial needs of the Group more efficiently as a result of the latest development of the Group's operation and business. The Board believes that the above change to the proposed use of the unutilized IPO proceeds will not adversely affect the existing operation and business of the Group and is in the best interests of the Company and its shareholders as a whole.

By Order of the Board  
**HL Technology Group Limited**  
**Chi Shaolin**  
*Chairman and CEO*

Hong Kong, 21 February 2014

*As at the date of this announcement, the executive Directors are Mr. Chi Shaolin, Mr. Lu Chengye and Mr. Cheng Wen, and the independent non-executive Directors are Mr. Pao Ping Wing, Mr. Thomas Tam and Ms. Zheng Lin.*

\* For identification purpose only