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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Financial adviser to the Company



RENEWAL OF THE EXISTING CCT

In view that the Existing CCT Agreements will expire on 31 December 2014 and the Company expects that the Existing CCT may not be completely segregated in near future, the Company and Connected Group (comprising relevant members of Jia Ya Group and Chongqing Linbo) propose to continue the Existing CCT (including sale and purchase of goods, provision of trading services, property lease, provision of utility services and cross guarantee on banking facilities) after expiry of the Existing CCT Agreements and entered into the following New CCT Agreements after trading hours on 10 October 2014:

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

* For identification purposes only

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

All the above New CCT Agreements will be valid for the period commencing from 1 January 2015 or the date on which all conditions precedent as set out in paragraph headed “Conditions Precedent to the New CCT Agreements” in this announcement have been fulfilled (whichever is later) to 31 December 2015.

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

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

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

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Thomas Tam, Mr. Pao Ping Wing and Ms. Zheng Lin, has been formed to give recommendation to the Independent Shareholders in respect of each of the Non-Exempted New CCT Agreements and the transactions contemplated thereunder (including the relevant Proposed Caps). An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further information on the Non-Exempted New CCT Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 31 October 2014.

I. BACKGROUND OF THE NEW CCT

Reference is made to the announcement of the Company dated 29 October 2013 and the circular of the Company dated 11 November 2013 in relation to, among other things, the Existing CCT between the Group and certain members of Jia Ya Group disposed of by the Company under the Disposal. These Existing CCT and the relevant annual caps had been approved (as appropriate) at an extraordinary general meeting of the Company held on 26 November 2013 by way of poll.

In view that the Existing CCT Agreements will expire on 31 December 2014 and the Company expects that the Existing CCT may not be completely segregated in near future, the Company and Connected Group (comprising relevant members of Jia Ya Group and Chongqing Linbo) propose to continue the Existing CCT (including sales and purchase of goods, provision of trading services, property lease, provision of utility services and cross guarantee on banking facilities) after the date on which all conditions precedent as set out in paragraph headed “Conditions Precedent to the New CCT Agreements” in this announcement have been fulfilled and entered into the New CCT Agreements after trading hours on 10 October 2014.

II. RENEWAL OF THE EXISTING CCT

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

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

Vendors:

HL Vendor Group:

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

Purchasers:

Connected Purchaser Group:

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

Pricing policy:

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

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

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

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

Vendors:

Connected Vendor Group:

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

Purchasers:

HL Purchaser Group:

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

Pricing policy:

The pricing for products under the New Master Purchase Agreement is to be transacted on normal commercial terms and based upon the market price on a fair and reasonable basis, and shall in principle be not 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 Connected Vendor Group and its ultimate third party customers. Pricing will be agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm’s length negotiations.

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

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

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

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

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

Guarantors:	HL Guarantee Group: <ul style="list-style-type: none">(i) Weihai Mingbo;(ii) Weihai Electronic;(iii) Weihai Jinyuan;(iv) Dezhou Jincheng;(v) Tianjin Jincheng;(vi) New Postcom Technology; and(vii) Shenyang New Postcom
Guarantees:	Connected Guarantee Group: <ul style="list-style-type: none">(i) Weihai Hongbo;(ii) Dezhou Electronic;(iii) Chongqing Technology;(iv) Chongqing Linbo;(v) Changshu Electronic;(vi) Changshu Cable;(vii) Changshu Connecting-Technology;(viii) Shenzhen Communication;(ix) Huizhou Technology;(x) Hongxin International;(xi) Chenhong International; and(xii) Honglin Technology
Pricing policy:	Fee of 2.4% on the guaranteed amount will be charged by HL Guarantee Group in respect of the issue of Guarantee. Such fee rate was determined with reference to the prevailing market rate based on the quotation obtained by HL Guarantee Group and/or available market information. Such amount will be invoiced within one month, after issue of each Guarantee.

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

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

D. New Commission Agreement – Provision of trading services to Weihai Electronic

On 10 October 2014, Weihai Electronic entered into the New Commission Agreement with Honglin Technology, a company established in Taiwan, to continue the market development and trading of power cord assembly of Weihai Electronic for a period commencing from 1 January 2015 or the date of fulfillment of all conditions precedent to the New Commission Agreement as set out in the paragraph headed “Conditions Precedent to the New CCT Agreements” below (whichever is later) to 31 December 2015.

Vendor:	Weihai Electronic
Trading agent:	Honglin Technology
Pricing policy:	The commission will be calculated with reference to the sales amount and net profit margin attributable to the sale of power cord assembly to ultimate customers that are introduced by Honglin Technology and shall in principle be on a fair and reasonable basis, and shall not be higher than the rate payable by independent third parties or on terms less favourable than offered to independent third party.

The commission payable by Weihai Electronic shall be settled within 45 days after the date of receiving relevant payment for the products sold via Honglin Technology.

E. New Tenancy and Utility Services Agreement – Lease of the Property and the provision of relevant utility services to Dezhou Jincheng

On 10 October 2014, Dezhou Electronic and Dezhou Jincheng entered into the New Tenancy and Utility Services Agreement to continue the lease of the Property by Dezhou Electronic and the provision of utility services (including labour (comprising repair of plant equipment and shared logistical and security staff), water, electricity, relevant maintenance etc.) to Dezhou Jincheng for its office and production use for a period commencing from 1 January 2015 or the date of fulfilment of all conditions precedent to the New Tenancy and Utility Services Agreement as set out in the paragraph headed “Conditions Precedent to the New CCT Agreements” below (whichever is later) to 31 December 2015.

Lessor: Dezhou Electronic

Lessee: Dezhou Jincheng

Information about the Property: The Property

- (i) Plant A within the site of Dezhou Electronic located at The Garden Road, Hengyuan Economic Development Zone, Linyi County, Shandong Province, the PRC (中國山東省臨邑縣恒源經濟開發區花園大道德州電子院內A棟廠房) with gross floor area of approximately 9,988 sq.m.;
- (ii) Plant B within the site of Dezhou Electronic located at The Garden Road, Hengyuan Economic Development Zone, Linyi County, Shandong Province, the PRC (中國山東省臨邑縣恒源經濟開發區花園大道德州電子院內的B棟廠房) with gross floor area of approximately 9,980 sq.m.; and
- (iii) Dormitory No. 1 within the site of Dezhou Electronic located at The Garden Road, Hengyuan Economic Development Zone, Linyi County, Shandong Province, the PRC (中國山東省臨邑縣恒源經濟開發區花園大道德州電子院內的1號宿舍樓) with gross floor area of approximately 5,516 sq.m.

Rental and utility services fee:

The rental is RMB10 per sq.m. which is determined by reference to rental for premises of similar usage within the proximity and the rental is charged monthly based on the area actually used by Dezhou Jincheng.

Utility services fee (including labour fee (comprising fee for repair of plant equipment and wages for shared logistical and security staff attributable to Dezhou Jincheng), water, electricity, relevant maintenance and etc.) will be determined on an arm's length basis and with reference to the actual cost incurred by Dezhou Electronic for its provision of such services to Dezhou Jincheng.

The rental together with the utility services fee payable by Dezhou Jincheng shall be settled on a monthly basis and shall be payable by Dezhou Jincheng within 60 days after the date of the relevant invoice issued by Dezhou Electronic.

The New 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 New Master Sale Agreement and the New Master Purchase Agreement will be dealt with in the purchase orders to be placed by the relevant purchaser.

Conditions precedent to the New CCT Agreements

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

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

PROPOSED CAPS AND HISTORICAL FIGURES

Historical figures

The following table sets out the historical transaction amounts of the Existing CCT (being intragroup transactions before Disposal Completion) during each of the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014:

Existing CCT	For the financial year ended 31 December 2012 <i>(RMB'000)</i> (unaudited)	For the financial year ended 31 December 2013 <i>(RMB'000)</i> (unaudited)	For the eight months ended 31 August 2014 <i>(RMB'000)</i> (unaudited)
A. Sales of cable, power cord and relevant components to Connected Purchaser Group/ Relevant fee for using a supplier code of Connected Purchaser Group <i>(Approved Caps/Relevant fee for using supplier codes held by Connected Purchaser Group for the relevant financial year)</i>	186,636 <i>N/A</i> <i>(Note 1)</i>	149,348/779 <i>(155,000/800)</i>	111,168/494 <i>(290,000/900)</i>
B. Supply of finished external and internal signal cable assembly by Connected Vendor Group/ Relevant fee for using a supplier code of HL Purchaser Group <i>(Approved Caps/Relevant fee for using supplier codes held by HL Purchaser Group for the relevant financial year)</i>	19,542 <i>N/A</i> <i>(Note 1)</i>	86,840/868 <i>(102,000/1,020)</i>	67,347/674 <i>(202,000/2,020)</i>
C. Reciprocally Guarantee on banking facilities			
C.1 Guarantee provided by HL Guarantee Group to Connected Guarantee Group/Relevant guarantee fee <i>(Approved Caps/Relevant guarantee fee for the relevant financial year)</i>	231,887 <i>N/A</i> <i>(Note 1&2)</i>	403,195/9,677 <i>(415,000/9,960)</i>	447,076/10,730 <i>(475,000/11,400)</i>
C.2 Guarantee provided by Connected Guarantee Group to HL Guarantee Group/Relevant guarantee fee <i>(Approved Caps/Relevant guarantee fee for the relevant financial year)</i>	326,000 <i>N/A</i> <i>(Note 1&2)</i>	446,000/8,563 <i>(736,000/14,132)</i>	446,000/8,563 <i>(856,000/16,436)</i>
D. Provision of trading services to Weihai Electronic <i>(Approved Caps for the relevant financial year)</i>	348 <i>N/A</i>	1,967 <i>(2,200)</i>	1,300 <i>(2,200)</i>
E. Lease of the Property and the provision of relevant utility services to Dezhou Jincheng <i>(Approved Caps for the relevant financial year)</i>	<i>N/A</i>	1,833 <i>(Note 3)</i> <i>(2,215)</i>	2,551 <i>(3,938)</i>

Notes:

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

Proposed Caps

The following table sets out the Proposed Caps of the New CCT for the financial year ending 31 December 2015 under their corresponding New CCT Agreements:

New CCT	For the financial year ending 31 December 2015 (RMB'000)
A. Sales of cable, power cord and relevant components to Connected Purchaser Group <i>(Relevant fee for using supplier codes held by Connected Purchaser Group)</i>	180,000 (800)
B. Supply of finished external and internal signal cable assembly by Connected Vendor Group <i>(Relevant fee for using supplier codes held by HL Purchaser Group)</i>	110,000 (1,100)
C. Reciprocally Guarantee on banking facilities	
C.1 (a) Guarantee provided by HL Guarantee Group to Connected Guarantee Group (excluding Exempted Financial Assistance)	570,000
(b) Guarantee fee charged by HL Guarantee Group	13,680
C.2 (a) Guarantee provided by Connected Guarantee Group to HL Guarantee Group (excluding Exempted Financial Assistance)	740,000
(b) Guarantee fee charged by Connected Guarantee Group	14,208
D. Provision of trading services to Weihai Electronic	3,000
E. Lease of the Property and the provision of relevant utility services to Dezhou Jincheng	4,500

Basis in determining the Proposed Caps

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

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

- (i) the actual transacted quantities and amounts for the two financial years ended 31 December 2012 and 2013 and the eight months ended 31 August 2014 respectively;
- (ii) the anticipated change in ultimate customers' demand on the products of HL Vendor Group and Connected Vendor Group and the need of using relevant supplier codes held by Connected Purchaser Group and HL Purchaser Group;
- (iii) the anticipated change in purchase volume of Connected Purchaser Group to meet its production target;
- (iv) the anticipated demand of products of Weihai Electronic in Taiwan market; and
- (v) the prevailing and anticipated unit price of the products to be transacted.

Regarding transactions pursuant to the New Cross Guarantee Agreement:

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

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

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

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE NEW CCT

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

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

New Master Sale Agreement and New Master Purchase Agreement

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

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

New Commission Agreement

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

Since 2012, the Group, in particular Weihai Electronic, has commenced business development of the Taiwan market via Honglin Technology. In view of that Honglin Technology is familiar with the businesses of Weihai Electronic, Weihai Electronic entered into the Existing Commission Agreement in order to expand its customer coverage in Taiwan. In view of the satisfaction of the services provided by Honglin Technology during the term of the Existing Commission Agreement, Weihai Electronic intends to continue to engage Honglin Technology as its trading agent for sales in Taiwan after expiry of the Existing Commission Agreement.

New Tenancy and Utility Services Agreement

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

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

New Cross Guarantee Agreement

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

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

In light of the above, (i) the Board (including the independent non-executive Directors) considers that each of the Exempted New CCT Agreements is entered into on normal commercial terms and their terms are fair and reasonable and the entering into each of the Exempted New CCT Agreements, the transactions contemplated thereunder (including the relevant Proposed Caps) are in the best interests of the Group and the Independent Shareholders as a whole; and (ii) the Board (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) considers that each of the Non-Exempted New CCT Agreements is entered into on normal commercial terms and their terms are fair and reasonable and the entering into each of the Non-Exempted New CCT Agreements, the transactions contemplated thereunder (including the relevant Proposed Caps) are in the best interests of the Group and the Independent Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Requirements of the Listing Rules

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

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

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

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

GENERAL

The Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Thomas Tam, Mr. Pao Ping Wing and Ms. Zheng Lin, has been formed to give recommendation to the Independent Shareholders in respect of each of the New CCT Agreements relating to the Non-Exempted New CCT and the transactions contemplated thereunder (including the relevant Proposed Caps). An independent financial adviser will also be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) further information on the Non-Exempted New CCT Agreements and the transactions contemplated thereunder; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from an independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM is expected to be despatched to the Shareholders on or before 31 October 2014.

DEFINITIONS

“Approved Caps”	the estimated annual monetary values of the continuing connected transactions for the two financial years ending 31 December 2014 which have been approved by the Independent Shareholders in extraordinary general meeting of the Company convened on 26 November 2013
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	board of Directors
“Changshu Cable”	Changshu Honglin Wire & Cable Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Changshu Cable is indirectly-owned by Mr. Chi and Mr. Jiang as to 25% and 51% respectively as at the date of this announcement
“Changshu Connecting-Technology”	Changshu Honglin Connecting-Technology Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Mr. Chi and Chongqing Linbo are interested in 25% and 75% interest in Changshu Connecting-Technology respectively as at the date of this announcement
“Changshu Electronic”	Changshu Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Changshu Electronic is wholly-owned by Chongqing Linbo as at the date of this announcement
“Chenhong International”	Chenhong International Limited, a company incorporated in Hong Kong with limited liability and being part of Connected Group; Chenhong International is indirectly-wholly-owned by Mr. Chi as at the date of this announcement
“Chongqing Linbo”	Chongqing Linbo Investment Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Mr. Chi and his wife are directly interested in 80% and 20% in Chongqing Linbo respectively as at the date of this announcement

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

* For identification purposes only

“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Dezhou Electronic”	Dezhou Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Dezhou Electronic is indirectly-wholly-owned by Mr. Chi as at the date of this announcement
“Dezhou Jincheng”	Dezhou Jincheng Electric Co., Ltd., a company established in the PRC with limited liability and a non-wholly-owned subsidiary of the Company as at the date of this announcement
“Director(s)”	director(s) of the Company
“Disposal”	the disposal of the entire issued share capital of a then wholly-owned subsidiary (which holds other members of Connected Group) by the Company pursuant to a sale and purchase agreement dated 9 June 2013 entered into among the Company, Jia Ya Developments and Mr. Chi (as supplemented by the supplemental agreements dated 24 June 2013 and 26 November 2013 respectively) which completed on 26 November 2013, details of which are set out in the circular of the Company dated 27 June 2013 and announcement of the Company dated 26 November 2013
“Disposal Completion”	completion of the Disposal
“EGM”	an extraordinary general meeting to be convened by the Company to consider and, if thought fit, to approve, among other things, the Non-Exempted New CCT Agreements and the transactions contemplated thereunder and the Proposed Caps
“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.89 and 14A.90 of the Listing Rules
“Exempted New CCT”	continuing connected transactions contemplated under the New Commission Agreement and the New Tenancy and Utility Services Agreement

“Exempted New CCT Agreement”	the New Commission Agreement and the New Tenancy and Utility Services Agreement
“Existing CCT”	the continuing connected transactions contemplated under the Existing CCT Agreements
“Existing CCT Agreements”	the Existing Master Sale Agreement, the Existing Master Purchase Agreement, the Existing Cross Guarantee Agreement, the Existing Commission Agreement and the Existing Tenancy and Utility Services Agreement
“Existing Commission Agreement”	the commission agreement dated 29 October 2013 entered into between Weihai Electronic and Honglin Technology in relation to, among other things, the trading of products of Weihai Electronic
“Existing Cross Guarantee Agreement”	the master agreement of cross guarantee on banking facilities dated 29 October 2013 entered into between certain members of the Group and certain members of the Jia Ya Group in relation to cross guarantee on the banking facilities of each other
“Existing Master Purchase Agreement”	the master purchase agreement dated 29 October 2013 entered into between certain members of the Group and certain members of the Jia Ya Group in relation to, among other things, the supply of products to certain members of the Group by certain members of the Jia Ya Group and the use of supplier codes held by certain members of the Group
“Existing Master Sale Agreement”	the master sale agreement dated 29 October 2013 entered into between certain members of the Group and certain members of the Jia Ya Group in relation to, among other things, the sale of products by certain members of the Group to certain members of the Jia Ya Group and the use of supplier codes held by certain members of the Jia Ya Group
“Existing Tenancy and Utility Services Agreement”	the property lease agreement dated 29 October 2013 entered into between Dezhou Electronic and Dezhou Jincheng in relation to, among other things, the lease of the Property and the provision of utility services in the Property by Dezhou Electronic to Dezhou Jincheng
“Group”	the Company and its subsidiaries

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

“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors, namely, Mr. Thomas Tam, Mr. Pao Ping Wing and Ms. Zheng Lin formed to advise the Independent Shareholders on the Non-Exempted New CCT
“Independent Shareholders”	Shareholders other than Mr. Chi, Mr. Jiang and their associates
“Jia Ya Developments”	Jia Ya Developments Limited, a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Chi as at the date of this announcement
“Jia Ya Group”	Jia Ya Developments and its subsidiaries immediately after Disposal Completion (including, among others, Weihai Hongbo, Changshu Electronic, Honglin Technology, Huizhou Technology, Chongqing Technology, Shenzhen Communication, Dezhou Electronic, Changshu Connecting-Technology, Chenhong International, Hongxin International and Changshu Cable) which include, but not limited to, all members of Connected Group
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Chi”	Mr. Chi Shaolin, the executive Director, chairman and chief executive officer of the Company and the substantial Shareholder
“Mr. Jiang”	Mr. Jiang Taike, the former executive Director
“New CCT”	the continuing connected transactions contemplated under the New CCT Agreements
“New CCT Agreements”	the New Master Sale Agreement, the New Master Purchase Agreement, the New Cross Guarantee Agreement, the New Commission Agreement and the New Tenancy and Utility Services Agreement
“New Commission Agreement”	the commission agreement dated 10 October 2014 entered into between Weihai Electronic and Honglin Technology in relation to, among other things, the trading of products of Weihai Electronic

“New Cross Guarantee Agreement”	the master agreement of cross guarantee on banking facilities dated 10 October 2014 entered into between HL Guarantee Group and Connected Guarantee Group in relation to cross guarantee on the banking facilities of each other
“New Master Purchase Agreement”	the master purchase agreement dated 10 October 2014 entered into between HL Purchaser Group and Connected Vendor Group in relation to, among other things, the supply of products to HL Purchaser Group by Connected Vendor Group and the use of supplier codes held by HL Purchaser Group
“New Master Sale Agreement”	the master sale agreement dated 10 October 2014 entered into between HL Vendor Group and Connected Purchaser Group in relation to, among other things, the sale of products by HL Vendor Group to Connected Purchaser Group and the use of supplier codes held by Connected Purchaser Group
“New Postcom Technology”	New Postcom Technology Company Limited, a company incorporated in Hong Kong and is a wholly-owned subsidiary of the Company as at the date of this announcement
“New Tenancy and Utility Services Agreement”	the property lease agreement dated 10 October 2014 entered into between Dezhou Electronic and Dezhou Jincheng in relation to, among other things, the lease of the Property and the provision of utility services in the Property by Dezhou Electronic to Dezhou Jincheng
“Non-Exempted Existing CCT Agreements”	the Existing Master Sale Agreement, the Existing Master Purchase Agreement and the Existing Cross Guarantee Agreement
“Non-Exempted New CCT”	the continuing connected transactions contemplated under the New Master Sale Agreement, the New Master Purchase Agreement and the New Cross Guarantee Agreement
“Non-Exempted New CCT Agreements”	the New Master Sale Agreement, the New Master Purchase Agreement and the New Cross Guarantee Agreement
“PRC”	the People’s Republic of China, excluding Hong Kong, Taiwan and Macau Special Administrative Region of the PRC

“Property”	(i) Plant A within the site of Dezhou Electronic located at The Garden Road, Hengyuan Economic Development Zone, Linyi County, Shandong Province, the PRC (中國山東省臨邑縣恒源經濟開發區花園大道德州電子院內A棟廠房) with gross floor area of approximately 9,988 sq.m.; (ii) Plant B within the site of Dezhou Electronic located at The Garden Road, Hengyuan Economic Development Zone, Linyi County, Shandong Province, the PRC (中國山東省臨邑縣恒源經濟開發區花園大道德州電子院內的B棟廠房) with gross floor area of approximately 9,980 sq.m.; and (iii) Dormitory No. 1 within the site of Dezhou Electronic located at The Garden Road, Hengyuan Economic Development Zone, Linyi County, Shandong Province, the PRC (中國山東省臨邑縣恒源經濟開發區花園大道德州電子院內的1號宿舍樓) with gross floor area of approximately 5,516 sq.m., all of which are owned by Dezhou Electronic
“Proposed Caps”	the proposed estimated annual monetary values of the New CCT for the financial year ending 31 December 2015 pursuant to the New CCT Agreements
“RMB”	Renminbi, the lawful currency in the PRC
“Share(s)”	ordinary share(s) of US\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Shenyang New Postcom”	Shenyang New Postcom Co., Ltd., a wholly foreign owned enterprise established in the PRC and a wholly-owned subsidiary of the Company as at the date of this announcement
“Shenzhen Communication”	Shenzhen Honglin Communication Technology Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Changshu Electronic is directly interested in 80% in Shenzhen Communication as at the date of this announcement
“sq.m.”	square meter(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial Shareholder(s)”	has the meaning ascribed to it in the Listing Rules

“Tianjin Jincheng”	Tianjin Jincheng Hanisi Automotive Electronics Co., Ltd., a company established in the PRC with limited liability and a non-wholly-owned subsidiary of Dezhou Jincheng as at the date of this announcement
“Weihai Electronic”	Weihaishi Honglin Electronic Co., Ltd., a company established in the PRC with limited liability and a wholly-owned subsidiary of the Group as at the date of this announcement
“Weihai Hongbo”	Weihaishi Hongbo Wire & Cable Technology Co., Ltd., a company established in the PRC with limited liability and being part of Connected Group; Weihai Hongbo is indirectly wholly-owned by Mr. Chi as at the date of this announcement
“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 date of this announcement
“%”	per cent.

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

For the purposes of illustration only, any amount denominated in RMB in this announcement and translated into HK\$ was translated at the rate of RMB0.79242 = HK\$1. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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

Hong Kong, 10 October 2014

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