THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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)

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF HONGLIN INTERNATIONAL AND (2) CONTINUING CONNECTED TRANSACTION

Financial adviser to the Company

八方金融有限公司
OCTAL Capital Limited

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

A letter from the Board is set out on pages 8 to 20 of this circular.

A letter from the Independent Board Committee is set out on pages 21 to 22 of this circular. A letter from Guotai Junan, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 23 to 45 of this circular.

A notice convening the EGM to be held at Conference Room No. 8, 8th Floor, Jin Tai Hotel, No. 38 Di'anmenxidajie, Xicheng District, Beijing, the PRC on Thursday, 25 June 2015 at 3 p.m. is set out on pages EGM-1 to EGM-3 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 to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the meeting should you so wish.

* *for identification purposes only*

10 June 2015

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

"2013 S&P Agreement"	the conditional sale and purchase agreement dated 9 June 2013 entered into between the Company, the Purchaser and Mr. Chi in relation to, among others, the sale and purchase of the entire issued share capital of Sumptuous Wealth Limited
"Adjustment Amount"	the sum of (i) the NAV Difference and (ii) the Valuation Surplus
"Announcement"	the announcement of the Company dated 28 April 2015 in relation to, among other things, the Disposal and the Pledge CCT
"Asset Pledge Agreement"	the agreement dated 24 December 2014 entered into between Weihai Yubo and the Weihai branch of the Agricultural Bank of China, pursuant to which Weihai Yubo has provided a pledge of certain land and property to guarantee a loan obtained by Weihai Electronic in the amount not exceeding RMB95 million for the period from 24 December 2014 to 23 December 2017
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Auditors"	the professional accountants appointed by the Purchaser and the Company
"Bank"	the bank in PRC which possesses the relevant qualification to provide an entrustment loan
"Board"	board of Directors
"Business Day"	a day (excluding Saturday, Sunday and other general holidays in Hong Kong) on which licensed banks are generally open for business
"BVI"	the British Virgin Islands

"Company"	HL Technology Group Limited, a company incorporated in Cayman Islands with limited liability, whose Shares are listed on the Main Board of the Stock Exchange (Stock code: 1087)
"Completion"	completion of the Disposal and the transactions contemplated thereunder
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Purchaser to the Company for the Disposal
"Dezhou Electronic"	德州泓淋電子有限公司 (transliterated as "Dezhou Honglin Electronic Co., Ltd."), a company established in the PRC with limited liability
"Dezhou Jincheng"	德州錦城電裝有限公司 (transliterated as "Dezhou Jincheng Electronic Co., Ltd."), a company established in the PRC with limited liability and a non wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Director(s)"	director(s) of the Company
"Disposal"	the disposal of the Sale Share, representing the entire interest in Honglin International, by the Company to the Purchaser pursuant to the S&P Agreement
"Disposal Group"	Honglin International and its subsidiaries which will be disposed of by the Company to the Purchaser pursuant to the S&P Agreement
"EGM"	an extraordinary general meeting to be convened by the Company at Conference Room No. 8, 8th Floor, Jin Tai Hotel, No. 38 Di'anmenxidajie, Xicheng District, Beijing, the PRC at 3 p.m. on Thursday, 25 June 2015 to consider and, if thought fit, to approve, among other things, the Disposal and the Pledge CCT

"Entrustment Loan Agreement"	the agreement entered into between Weihai Yubo and Weihai Electronic dated 28 April 2015, pursuant to which Weihai Yubo continued to entrust the Bank to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and the total amount of the entrustment loan which includes the principal amount and the interest accrued at any time during the term of the Entrustment Loan Agreement shall not exceed RMB102 million
"Group"	the Company and its subsidiaries
"Guotai Junan"	Guotai Junan Capital Limited, a corporation licensed under the SFO to carry on type 6 (advising on corporate finance) regulated activity under the SFO, acting as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the Pledge CCT
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HL Group"	collectively, Weihai Mingbo, Weihai Electronic, Weihai Property, Dezhou Jincheng, Tianjin Hanisi, New Postcom Technology Co., Ltd. and 沈陽新郵通信設備有限公司 (transliterated as "Shenyang New Postcom Co., Ltd.")
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Honglin HK"	Honglin International (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability, a wholly-owned subsidiary of Honglin International as at the Latest Practicable Date and prior to the Completion, and a member of the Disposal Group
"Honglin HK Group"	Honglin HK and its subsidiaries which are within the Disposal Group
"Honglin International"	Honglin International Limited, a company incorporated in Cayman Islands with limited liability, a wholly-owned subsidiary the Company as at the Latest Practicable Date and prior to the Completion, and a member of the Disposal Group

"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 Disposal and the Pledge CCT
"Independent Shareholders"	Shareholders other than Mr. Chi and his associates
"Jia Ya Group"	collectively, Abundant Wit Limited, Sumptuous Wealth Limited, Greatest Group Limited, 威海市泓博線纜科技有限公司 (transliterated as "Weihaishi Hongbo Wire & Cable Technology Co., Ltd."), 常熟泓淋電子有限公司 (transliterated as "Changshu Honglin Electronic Co., Ltd."), Honglin Technology Co., Ltd., 惠州市泓淋科技有限公司 (transliterated as "Huizhou Honglin Technology Co., Ltd."), 重慶市泓淋科技有限公司 (transliterated as "Chongqing Honglin Technology Co., Ltd."), 重慶市淋博投資有限公司 (transliterated as "Chongqing Linbo Investment Co., Ltd."), 深圳市泓淋通訊科技有限公司 (transliterated as "Shenzhen Honglin Communication Technology Co., Ltd."), Dezhou Electronic, 常熟泓淋連接技術有限公司 (transliterated as "Changshu Honglin Connecting-Technology Co., Ltd."), Chenhong International Limited, Hongxin International Limited and 常熟泓淋電綫電纜有限公司 (transliterated as "Changshu Honglin Wire & Cable Co., Ltd.")
"Jones Lang LaSalle"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional property valuer
"Latest Practicable Date"	5 June 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Mr. Chi"	Mr. Chi Shaolin, a substantial Shareholder (has the meaning ascribed to it under the Listing Rules), an executive Director and the chief executive officer of the Company, who is interested in approximately 13.5% of the Company as at the Latest Practicable Date and thus a connected person of the Company

"NAV Difference"	represents the amount of the consolidated net asset value of Honglin International attributable to owners of the parent as at 30 April 2015 reviewed by the Auditors less (i) the unaudited and unreviewed net asset value of the Honglin HK Group attributable to owners of the parent as at 31 December 2014; (ii) the difference between the unaudited and unreviewed net asset value of Weihai Property as at 31 December 2014 and the consideration for the disposal of Weihai Property in January 2015; and (iii) the unaudited and unreviewed net asset value of Honglin International as at 28 April 2015
"Pledge CCT"	the continuing connected transactions contemplated under the Entrustment Loan Agreement and the Asset Pledge Agreement
"PRC"	the People's Republic of China, excluding Hong Kong, Taiwan and the Macau Special Administrative Region of the PRC for the purpose of this circular
"Purchaser"	Jia Ya Developments Limited, a company incorporated in BVI with limited liability and wholly-owned by Mr. Chi
"Remaining Business"	the business of the Group excluding those run by the Disposal Group
"Remaining Group"	companies within the Group other than the Disposal Group
"Review Accounts"	consolidated accounts on the Disposal Group for the four months ended 30 April 2015 prepared based on International Financial Reporting Standards by the Company and reviewed by the Auditors
"RMB"	Renminbi, the lawful currency in the PRC
"S&P Agreement"	the conditional sale and purchase agreement dated 28 April 2015 entered into among the Company, the Purchaser and Mr. Chi in relation to the sale and purchase of the Sale Share
"Sale Share"	1,001 ordinary shares of US$1.00 each of Honglin International in the total amount of US$1,001, representing the entire issued share capital of Honglin International

"Share(s)"	ordinary share(s) of US$0.02 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Tianjin Hanisi	天津錦城哈尼斯汽車電裝有限公司 (transliterated as "Tianjin Jincheng Hanisi Automotive Electronics Co., Ltd"), a company established in the PRC with limited liability, which is a non-wholly-owned subsidiary of the Group as at the Latest Practicable Date and a member of the Disposal Group
"US$"	the United States dollars, the lawful currency of the United States of America
"Valuation Report"	the valuation report for the independent valuation of the self-used properties of the Disposal Group as at 30 April 2015 appraised by Jones Lang LaSalle
"Valuation Surplus"	the difference between the valuation of the self-used properties of the Disposal Group as at 30 April 2015 and as at 31 December 2014, both appraised by Jones Lang LaSalle
"Weihai Electronic"	威海市泓淋電子有限公司 (transliterated as "Weihaishi Honglin Electronic Co., Ltd."), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Group as at the Latest Practicable Date, and a member of the Disposal Group
"Weihai Mingbo"	威海市明博綫纜科技有限公司 (transliterated as "Weihaishi Mingbo Wire & Cable Technology Co., Ltd."), a company established in the PRC with limited liability, which is a wholly-owned subsidiary of the Group as at the Latest Practicable Date and a member of the Disposal Group
"Weihai Property"	威海錦源銘業房地產開發有限公司 (transliterated as "Weihai Jinyuan Mingye Property Development Co., Ltd."), a company established in the PRC with limited liability and a wholly-owned subsidiary of Weihai Yubo as at the Latest Practicable Date, and a member of the Remaining Group

"Weihai Yubo"	威海市裕博線纜科技有限公司 (transliterated as "Weihaishi Yubo 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 a member of the Remaining Group
"%"	per cent

In this circular, 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.

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

Independent Non-executive Directors:
Mr. Thomas TAM
Mr. PAO Ping Wing
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

10 June 2015

To the Shareholders,

Dear Sir or Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF HONGLIN INTERNATIONAL AND (2) CONTINUING CONNECTED TRANSACTION

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Disposal and the Pledge CCT. On 28 April 2015 (after the trading hours), the Company (as vendor) entered into the S&P Agreement with the Purchaser and Mr. Chi (as guarantor for the Purchaser) for the sale and purchase of the Sale Share. Pursuant to the S&P Agreement, the Company has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase the Sale Share from the Company at the initial Consideration of HK$255 million, to be determined based on the reviewed consolidated net asset value of Honglin International attributable to owners of the parent as at 30 April 2015 pursuant to the Review Accounts and to be adjusted by

* *for identification purposes only*

the Adjustment Amount, provided that the final Consideration shall not exceed HK$260 million and shall not be less than HK$200 million. The Consideration shall be satisfied by the Purchaser by cash and payable on the date of Completion. The initial Consideration was arrived at after arm's length negotiations between the Company and the Purchaser with reference to the unaudited and unreviewed net asset value of the Disposal Group attributable to owners of the parent as at 31 December 2014 plus the difference between the appraised value of the self-used properties of the Disposal Group and the unaudited net book value of such properties as at 31 December 2014.

In addition, on 28 April 2015 (after trading hours), Weihai Yubo entered into the Entrustment Loan Agreement with Weihai Electronic, pursuant to which Weihai Yubo continued to entrust the Bank to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and the total amount of the entrustment loan which includes the principal amount and the interest accrued at any time during the term of the Entrustment Loan Agreement shall not exceed RMB102 million. Pursuant to the Entrustment Loan Agreement, Weihai Yubo was required to provide a pledge of land and property to the Bank to guarantee the principal amount of the entrustment loan provided by the Bank to Weihai Electronic. Such asset pledge requirement has been satisfied under the transaction contemplated under the Asset Pledge Agreement which has been in force prior to the entering into of the S&P Agreement.

The purpose of this circular is to provide you with, among other things, (i) further information on the Disposal, the Pledge CCT and the transactions contemplated thereunder; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders; (iii) a letter from Guotai Junan to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the EGM.

THE S&P AGREEMENT

Date: 28 April 2015 (after trading hours)

Parties

Purchaser: Jia Ya Developments Limited

Vendor: the Company

Guarantor for the Purchaser: Mr. Chi

Mr. Chi shall provide to the Company a guarantee for the due and punctual performance of the Purchaser's obligations under the S&P Agreement, subject to and upon the terms and conditions of the S&P Agreement.

Assets to be disposed of

Sale Share: 1,001 ordinary shares of US$1.00 each of Honglin International in the total amount of US$1,001, being the entire issued share capital in Honglin International, free from any encumbrances and together with all rights now or thereafter attached thereto.

The Consideration for the Sale Share

The initial Consideration was fixed at HK$255 million, and shall be adjusted with reference to the Adjustment Amount based on the reviewed consolidated net assets value of Honglin International attributable to owners of the parent as at 30 April 2015 pursuant to the Review Accounts and the valuation of the self-used properties of the Disposal Group as at 30 April 2015. The initial Consideration was arrived at after arm's length negotiations between the Company and the Purchaser with reference to the unaudited and unreviewed net asset value of the Disposal Group attributable to owners of the parent as at 31 December 2014, plus the difference between the appraised value of the self-used properties of the Disposal Group and the unaudited net book value of such self-used properties as at 31 December 2014.

The initial Consideration shall be adjusted with reference to the Adjustment Amount in the following manner: (i) if the Adjustment Amount is positive, the Consideration will be the initial Consideration adjusted upward by the amount of the Adjustment Amount provided that the Consideration shall not exceed HK$260 million; and (ii) if the Adjustment Amount is negative, the Consideration will be the initial Consideration adjusted downward by the amount of the Adjustment Amount, provided that the Consideration shall not be less than HK$200 million.

The final Consideration was fixed at HK$232,804,729, which was arrived at with reference to the initial Consideration of HK$255 million plus the negative Adjustment Amount of HK$22,195,271.

The Consideration shall be satisfied by the Purchaser in cash and payable on the date of Completion.

Conditions Precedent

Completion of the S&P Agreement shall be conditional upon, inter alia:

1. the Company having obtained all necessary or appropriate approvals, authorisations, consents and licences as a company listed on the Main Board of the Stock Exchange, including but not limited to the approval of the S&P Agreement and the transactions contemplated thereunder by the Independent Shareholders;

2. the Company having obtained the Review Accounts and the Valuation Report;

3. the Company having obtained a PRC legal opinion prepared by the PRC legal adviser engaged by the Company to the satisfaction of the Company in relation to the transactions contemplated under the S&P Agreement; and

4. the Company and the Disposal Group having obtained all other necessary or appropriate approvals, authorisations, consents and licences for the S&P Agreement and the transactions contemplated thereunder.

If any of the conditions precedent set out above is not fulfilled on or before 30 September 2015 (or such later date as the Company and the Purchaser may otherwise agree in writing), the S&P Agreement will lapse while each party's rights and obligations already accrued under the S&P Agreement will not be affected. As at the Latest Practicable Date, condition 3 has been satisfied.

Undertaking

Pursuant to the S&P Agreement, the Company undertakes to the Purchaser that, among other things, save with prior consultation with and having obtained prior written consent from the Purchaser or for the purpose of the transactions contemplated under the S&P Agreement, the assets and liabilities of Honglin International and the Disposal Group will not be materially changed since the date of the S&P Agreement and up to the Completion.

Completion

Completion of the Disposal shall take place on the fifth Business Day following the date on which the above conditions precedent have been fulfilled (or such other date as the parties to the S&P Agreement may otherwise agree in writing). In the event that a party to the S&P Agreement is unable to deliver any of the completion deliverables on the original date of Completion pursuant to the S&P Agreement, the other party to the S&P Agreement shall have the discretion to postpone the date of Completion to another date which shall not be more than 90 days from the original date of Completion.

Upon Completion, Honglin International and each member of the Disposal Group will cease to be subsidiaries of the Company, and the Group will not consolidate the financial statements of each of companies within the Disposal Group thereafter.

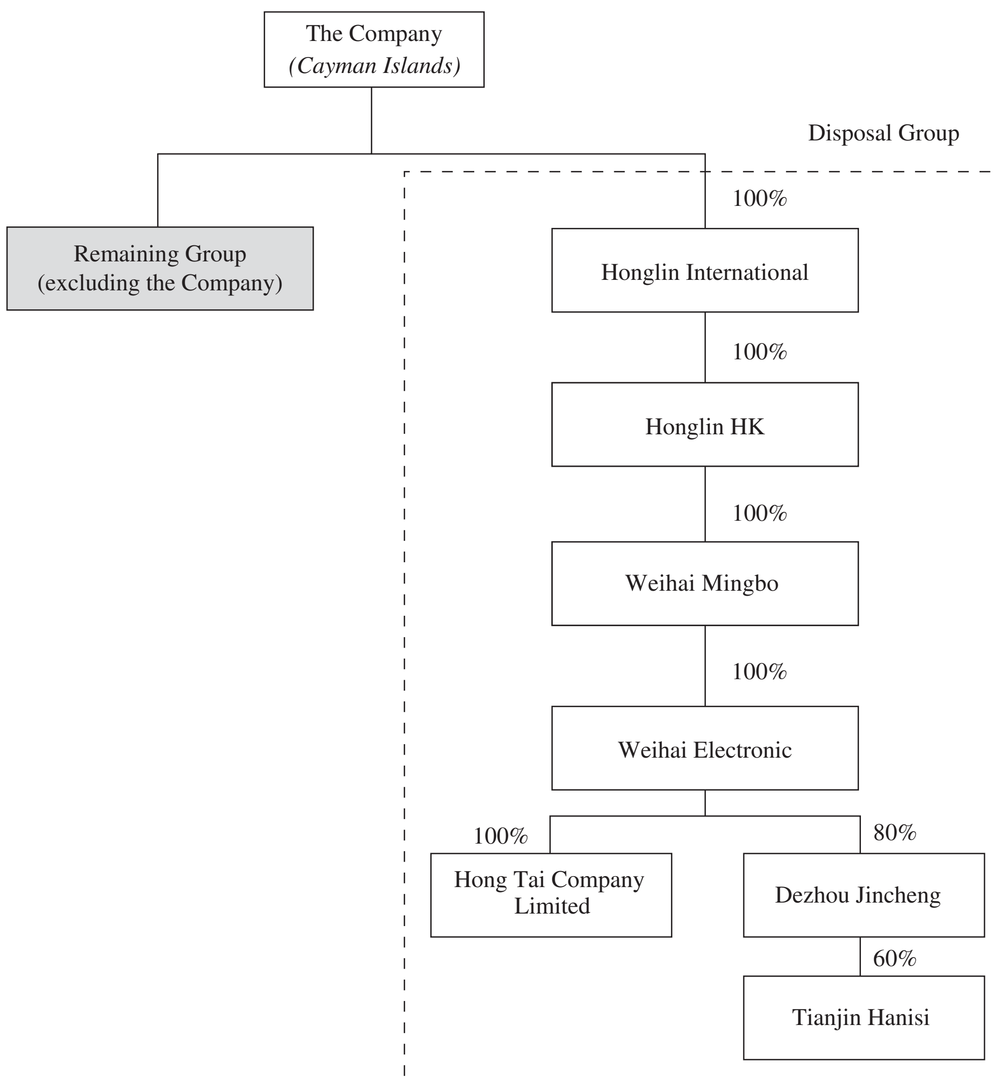
INFORMATION ON THE DISPOSAL GROUP

Business segments of the Disposal Group

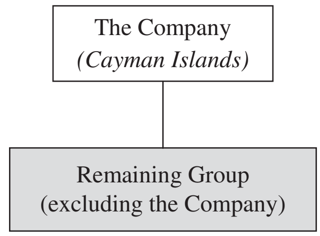
The Disposal Group is principally engaged in the manufacture and sale of power cord cable and assembly, automotive wiring harness and other products.

Corporate structure of the Disposal Group

Set out below is the shareholding structure of the Disposal Group and the Remaining Group as at the Latest Practicable Date:



Set out below is the shareholding structure of the Remaining Group upon the Completion:



Financial information of the Disposal Group

Set out below is certain unaudited and unreviewed financial information of the Disposal Group for each of the two years ended 31 December 2014 and the reviewed financial information of the Disposal Group for the four months ended 30 April 2015:

	For the four months ended 30 April 2015	**For the year ended 31 December 2014**	**For the year ended 31 December 2013**
	Reviewed	*Unaudited and unreviewed*	*Unaudited and unreviewed*
	RMB' million	*RMB' million*	*RMB' million*
Revenue	216	678	718
Loss before taxation	(17)	(30)	(31)
Net loss after taxation	(17)	(30)	(29)

	As at 30 April 2015	**As at 31 December 2014**	**As at 31 December 2013**
	Reviewed	*Unaudited and unreviewed*	*Unaudited and unreviewed*
	RMB' million	*RMB' million*	*RMB' million*
Net asset value attributable to the owners of the parent	171	191	221

REASONS FOR THE DISPOSAL AND USE OF PROCEEDS

The Group is a services and products provider for the global communication system, consumer electronics and automotive electronics markets. The Group is principally engaged in the designs, develops, manufactures and provision of communication system and signal transmission and connectivity products. The communication system segment engages in providing Private Network solutions, construction of base stations for telecommunications networks including TD-LTE, TD-SCDMA and GSM network, trading of telecommunications equipment, such as IPRAN and xPON, and the manufacture and sale of mobile phone handsets, related accessories and related software and Mobile Internet terminals. The signal transmission and connectivity products segment engages in the manufacture and sale of power cord cable and assembly, automotive wiring harness and other related products.

As mentioned in the annual report of the Company for the year ended 31 December 2014, 2014 was a great year for the development of Fourth Generation ("**4G**") technology, Mobile Internet technology and enterprise Private Network technology in China, which boosted the continuous development of the whole telecommunication industry. As a reflection, the telecommunication technology has been deeply merged with traditional industry where people are surrounded by various applications of these technologies in their daily life and their working environment, which brings tremendous market demands. In particular, newly-developed enterprise Private Network technology has been making great progress as its customer base is expanding rapidly and penetrating into every corner of the world. In the meantime, the traditional telecommunication industry is competitive along with its development as more innovative competitors have been emerging, in particular the business with the three telecommunication operators has been under intense competitive pressure. The consumer electronic market demands are as usual and competition is still fierce.

During the year ended 31 December 2014, the revenue from signal transmission and connectivity products decreased by approximately RMB962.7 million, or approximately 57.8%, which was mainly due to the effect that Sumptuous Wealth Limited and its subsidiaries ceased to contribute to the Group after their disposal on 26 November 2013. In addition, the performance of products of power cord cable and assembly, automotive wiring harness and other products in 2014 was also not satisfactory.

For power cord cable and assembly products, the competition will be more intense as more and more innovative power cord manufacturers has entered into the market. Some of these renowned manufacturers has developed wireless charger devices for some electronic products which is a substantial threat to the power cord business of the Company, thus the prospects of the power cord business is not clear and the room for further growth in profit for the power cord will be further decreased in the foreseeable future. With stricter and stricter rules and regulations implemented in the power cord industry, relevant testing and production costs will be further increased. Given the circumstances, it is difficult for the Company to follow the developing trend and turn round its loss making status.

Since the acquisition of the automotive wiring harness business by the Group, the development of this business is slow and is difficult to make progress due to the relatively closed customer circle in the industry. The Company has not been making profit and tons of inventories have piled up in its factory, which is a big pressure to the Company.

The Group has invested substantially into the power cord cable and assembly business and the automotive wiring harness business but the earnings have been decreasing while the expenses have been rising. Upon Completion, the Company will focus on its Remaining Business which includes the communication system segment and the Company would cease to engage in the signal transmission and connectivity products segment. Besides, upon Completion, the Consideration will be settled in cash which would enrich the internal resources of the Company for further developing the Remaining Business and/or financing new investment projects relating to communication application should such opportunity arise in the future.

Therefore, the Board (including the independent non-executive Directors whose views have been given after taking into account the advices from Guotai Junan) consider that the Disposal represents an opportunity to the Company for realizing its loss-making businesses and re-directing its resources to other businesses with growing potential and the terms of the Disposal are fair and reasonable, thus the entering into of the S&P Agreement and the transactions contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Upon the Completion, the Group shall not have any interest in the Disposal Group, and each of the companies in the Disposal Group shall cease to be a subsidiary of the Company. Therefore, the profit and loss, and assets and liabilities of the Disposal Group will no longer be consolidated to the accounts of the Company.

Earnings

Subject to, among other items, the Valuation Surplus, the NAV Difference and the consolidated net asset value of Honglin International attributable to owners of the parent as at 30 April 2015, it is expected that the Company will record a gain of approximately RMB9.0 million for the Disposal which is estimated based on, among other items, (i) the final Consideration of HK$232,804,729; (ii) the results of the valuation of the self-used properties of the Disposal Group as at 31 December 2014 and as at 30 April 2015; and (iii) the deduction of the professional fees and other expenses of the Remaining Group which are attributable to the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to auditing and will be determined based on the amount of the consolidated net assets of Honglin International at Completion.

Assets and liabilities

As disclosed in the annual report of the Company for the year ended 31 December 2014, the Group recorded the total assets and total liabilities of approximately RMB2,429.9 million and approximately RMB1,574.5 million respectively. It is expected that the total assets and total liabilities of the Remaining Group will decrease upon Completion. However, since it is expected that the Group will recognize an unaudited gain of approximately RMB9.0 million, it is estimated that the net assets of the Group will increase by approximately RMB9.0 million as a result of the Disposal.

The financial effects of the Disposal are based on currently available information and are provided for illustrative purposes only.

THE ENTRUSTMENT LOAN AGREEMENT

On 28 April 2015 (after trading hours), Weihai Yubo entered into the Entrustment Loan Agreement with Weihai Electronic, pursuant to which Weihai Yubo continued to entrust the Bank to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and the total amount of the entrustment loan which includes the principal amount and the interest accrued at any time during the term of the Entrustment Loan Agreement shall not exceed RMB102 million. Pursuant to the Entrustment Loan Agreement, Weihai Yubo was required to provide a pledge of land and property to the Bank to guarantee the entrustment loan provided by the Bank to Weihai Electronic. Such asset pledge requirement has been satisfied under the transactions contemplated under the Asset Pledge Agreement which has been in force prior to the entering into of the S&P Agreement.

Upon Completion, Weihai Electronic will become a connected person of the Group, and the transactions contemplated under the Entrustment Loan Agreement and the Asset Pledge Agreement between the Remaining Group and the Disposal Group will constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

1. Entrustment Loan Agreement

Date: 28 April 2015 (after trading hours)

Parties: (1) Weihai Yubo
(2) Weihai Electronic

Major terms of the Entrustment Loan Agreement

Purpose of the loan

Weihai Electronic has provided the entire amount from the entrustment loan to Weihai Yubo to finance the construction of a factory building.

Loan amount

Weihai Yubo has entrusted the Bank to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and the total amount of the entrustment loan which includes the principal amount and the interest accrued at any time during the term of the Entrustment Loan Agreement shall not exceed RMB102 million.

Interest

The interest of the entrustment loan shall be payable by Weihai Electronic to the Bank on a monthly basis, and Weihai Electronic shall charge the same amount of interest to Weihai Yubo on a back-to-back basis on the date of payment of the relevant interest to the Bank.

Term of the loan

The term of the entrustment loan shall be effective from 28 April 2015 to 31 December 2015 subject to the Completion of the Disposal, the Board's approval and the Independent Shareholders' approval at the EGM.

Administrative costs

If Weihai Electronic incurs any administrative costs charged by the Bank, Weihai Yubo shall reimburse such administrative costs to Weihai Electronic on the same date when such administrative costs were incurred. Save for the abovementioned administrative costs, Weihai Yubo shall not reimburse any other costs to Weihai Electronic.

Asset pledge

Pursuant to the Entrustment Loan Agreement, Weihai Yubo had provided a pledge of certain land and property to the Bank to guarantee the relevant entrustment loan. Such pledge of assets has been satisfied in accordance with the Asset Pledge Agreement entered into between Weihai Yubo and the Weihai branch of the Agricultural Bank of China. Details of which are set out below.

2. Asset Pledge Agreement

Date: 24 December 2014

Parties: (1) Weihai Yubo
(2) Weihai branch of the Agricultural Bank of China

Pursuant to the Asset Pledge Agreement, Weihai Yubo agreed to provide certain pledge of land and property to guarantee a loan obtained by Weihai Electronic in the amount not exceeding RMB95 million for the period from 24 December 2014 to 23 December 2017. The transactions aforesaid have been in force prior to the entering into of the Entrustment Loan Agreement. Since Weihai Electronic will become a connected person of the Group upon Completion, the transactions contemplated under the Entrustment Loan Agreement and the corresponding Asset Pledge Agreement will become continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

The annual cap of the Pledge CCT for the year ending 31 December 2015

Proposed annual cap for the Pledge CCT

The proposed annual cap for the Pledge CCT in respect of the entrustment loan under the Entrustment Loan Agreement and the pledge of asset under the Asset Pledge Agreement for the year ending 31 December 2015 is RMB102,000,000.

The proposed annual cap for the Pledge CCT was determined after taking into account of the maximum amount of the entrustment loan payable pursuant to the terms of the Asset Pledge Agreement, plus the amount of the accrued interest on the outstanding entrustment loan balance during the term of the Entrustment Loan Agreement.

REASONS FOR ENTERING INTO OF THE ENTRUSTMENT LOAN AGREEMENT AND THE ASSET PLEDGE AGREEMENT

The Group has decided to enter into of the Entrustment Loan Agreement with a view to facilitate the debt financing of Weihai Yubo as Weihai Yubo owns certain land and property but it does not have any business in operation, which is difficult for Weihai Yubo to maintain debt financing from banks in the PRC. The arrangement under the Entrustment Loan Agreement and the asset pledge under the Asset Pledge Agreement which is already in force enabled Weihai Yubo to maintain debt financing for the construction of its factory building from Weihai Electronic, using its own land and property as a pledge for the entrustment loan provided to Weihai Electronic from the Bank while paying at the same level of interest rate to Weihai Electronic as that was paid by Weihai Electronic to the Bank on a back-to-back basis.

IMPLICATIONS UNDER THE LISTING RULES

The Disposal

As certain applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal is more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under the Listing Rules. Besides, Mr. Chi is a substantial Shareholder, an executive Director and the chief executive officer of the Company, who is interested in approximately 13.5% interests of the Company as at the Latest Practicable Date, each of Mr. Chi and the Purchaser (being wholly-owned by Mr. Chi) is a connected person of the Company, and the Disposal also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A the Listing Rules.

The Pledge CCT

Upon Completion, Weihai Electronic will become a connected person of the Group, the transaction contemplated under the Entrustment Loan Agreement and the Asset Pledge Agreement shall become continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As certain applicable percentage ratio in respect of the Entrustment Loan Agreement and the Asset Pledge Agreement is more than 5% but less than 25% and the principal amount of the entrustment loan of RMB95 million for the year ending 31 December 2015 is more than HK$10,000,000, the Pledge CCT and its proposed annual cap are subject to the reporting, announcement, annual review and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 the Disposal and the Pledge CCT. Guotai Junan has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

A notice convening the EGM to be held at Conference Room No. 8, 8th Floor, Jin Tai Hotel, No. 38 Di'anmenxidajie, Xicheng District, Beijing, the PRC on Thursday, 25 June 2015 at 3 p.m. is set out on pages EGM-1 to EGM-3 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 to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the EGM. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the EGM should you so wish.

Mr. Chi and his associates are regarded as having material interests in the Disposal, the S&P Agreement, the Pledge CCT and the transactions contemplated thereunder and therefore they are required to abstain from voting on the resolutions proposed to be passed at the EGM for approving the Disposal, the S&P Agreement, the Pledge CCT and the transactions contemplated thereunder.

RECOMMENDATION

Your attention is drawn to the letters from the Independent Board Committee and Guotai Junan which set out their recommendations in respect of the Disposal, the S&P Agreement, the Pledge CCT and the transactions contemplated thereunder and the principal factors considered by them in arriving at their recommendations.

Having noted and considered the reasons stated under the section captioned "REASONS FOR THE DISPOSAL AND USE OF PROCEEDS" and "REASONS FOR ENTERING INTO OF THE ENTRUSTMENT LOAN AGREEMENT AND THE ASSETS PLEDGE AGREEMENT", the Directors (including the independent non-executive Directors who have taken into account the recommendations from Guotai Junan) are of the view that the terms of the Disposal, the S&P Agreement, the Pledge CCT and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole, and recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Disposal, the S&P Agreement, the Pledge CCT and the transactions contemplated thereunder.

VOTING BY POLL

According to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Therefore, all the resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.

ADDITIONAL INFORMATION

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

By Order of the Board of
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)

10 June 2015

To the Independent Shareholders,

Dear Sir or Madam,

(1) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF HONGLIN INTERNATIONAL AND (2) CONTINUING CONNECTED TRANSACTION

We refer to the circular of the Company to the Shareholders dated 10 June 2015 (the "Circular"), in which this letter forms a part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to advise you as to whether the terms of the Disposal, the S&P Agreement, the Pledge CCT and the transactions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned.

Guotai Junan has also been appointed as the independent financial advisor to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Disposal and the Pledge CCT.

We wish to draw your attention to the letter from the Board, as set out on pages 8 to 20 of the Circular, and the letter from Guotai Junan which contains its advice to us in respect of the Disposal and the Pledge CCT (including the proposed annual cap of the Pledge CCT), as set out on pages 23 to 45 of the Circular, and the additional information set out in the appendices to the Circular.

* *for identification purposes only*

Having taken into account of the terms of the S&P Agreement, the Pledge CCT and the transactions contemplated thereunder, and having considered the advice provided by Guotai Junan and the principal factors and reasons taken into consideration by it in arriving at its advice, we are of the opinion that the terms of the Disposal and the Pledge CCT (including the proposed annual cap of the Pledge CCT) are in the interests of the Company and the Independent Shareholders as a whole, and are fair and reasonable so far as the Company and the Independent Shareholders as a whole are concerned. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the Disposal and the Pledge CCT (including the proposed annual cap of the Pledge CCT).

Yours faithfully,
the Independent Board Committee

Thomas TAM	**PAO Ping Wing**	**ZHENG Lin**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of a letter of advice from Guotai Junan to the Independent Board Committee and the Independent Shareholders with regard to the Disposal and the Pledge CCT (including the Proposed Cap) prepared for the purpose of incorporation in this circular.

國泰君安國際
GUOTAI JUNAN INTERNATIONAL

Guotai Junan Capital Limited

28/F, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

10 June 2015

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF HONGLIN INTERNATIONAL AND CONTINUING CONNECTED TRANSACTION

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the disposal of the Sale Share by the Company to the Purchaser (the "**Disposal**") pursuant to the S&P Agreement; and (ii) the entering into of the Entrustment Loan Agreement between Weihai Electronic and Weihai Yubo pursuant to which Weihai Yubo has entrusted a bank to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and Weihai Yubo was required to provide a pledge of land and property to a bank under the Asset Pledge Agreement to guarantee the said entrustment loan. Details of the Disposal and the transaction under the Entrustment Loan Agreement and the Asset Pledge Agreement (the "**Pledge CCT**") are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 10 June 2015 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

As set out in the Letter from the Board, the Company (as vendor) entered into the S&P Agreement with the Purchaser and Mr. Chi (as guarantor for the Purchaser) pursuant to which the Company has conditionally agreed to dispose of and the Purchaser has conditionally agreed to purchase the Sale Share from the Company at the initial Consideration of HK$255 million which was arrived at after arm's length negotiations between the Company and the Purchaser with reference to the unaudited and unreviewed net asset value of the Disposal Group attributable to owners of the parent as at 31 December 2014 plus the difference between the appraised value of the self-used properties (the "**Properties**") of the Disposal Group and the unaudited net book value of the Properties as at 31 December 2014. The final Consideration of HK$232,804,729 has been determined based on the reviewed consolidated net asset value of Honglin International attributable to owners of the parent as at 30 April 2015 pursuant to the Review Accounts and adjusted by the Adjustment Amount, which is equivalent to the aggregate of the NAV Difference and the Valuation Surplus, and lies within the range from HK$200 million to HK$260 million in accordance with the S&P Agreement. The Consideration shall be fully settled by the Purchaser in cash and payable on the date of the Completion. As certain applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Disposal are more than 25% but less than 75%, the Disposal constitutes a major transaction of the Company under Rule 14.06 of the Listing Rules. As at the Latest Practicable Date, the Purchaser was wholly-owned by Mr. Chi, the substantial Shareholder (has the meaning ascribed to it under the Listing Rules), a Director and the chief executive officer of the Company, who is interested in approximately 13.5% interests of the Company. Therefore each of Mr. Chi and the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules, and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements.

As advised by the Company, prior to the split-off (the "**Mingbo Split-off**") of Weihai Mingbo into Weihai Mingbo and Weihai Yubo, Weihai Mingbo held certain land and property which has been pledged to banks to secure the bank loans granted to Weihai Electronic and such bank loans have been utilised by Weihai Mingbo (or Weihai Yubo after the Mingbo Split-off) for the construction of its factory building. As a result of the Mingbo Split-off, the entitlement of certain pledged land and property and the corresponding liabilities relating to the bank loans were transferred to Weihai Yubo whilst the arrangement of bank loans continues in view that Weihai Yubo, Weihai Mingbo and Weihai Electronic are within the Group. However, Weihai Yubo does not have any business in operation and Weihai Mingbo and Weihai Electronic will no longer be the members of the Group upon the Completion, it would be difficult for Weihai Yubo to maintain the same bank loans itself. In light of that the Company intends to continue the existing pledge of land and property of Weihai Yubo and the back-to-back loan arrangement between Weihai Electronic and Weihai Yubo, the Company determined to continue the Asset Pledge Agreement (which remains effective until 23 December 2017) and enter into the Entrustment Loan Agreement on 28 April 2015 for a term commencing from the even date to 31 December 2015. As the proposed annual cap (the "**Proposed Cap**") of the annual monetary amount in respect of the transaction under the Pledge CCT for the financial year ending 31 December 2015 exceeds HK$10,000,000 and one of the relevant applicable percentage ratios as calculated pursuant to Rule 14.07 of the Hong Kong Listing Rules exceeds 5%, the Pledge CCT (including the Proposed Cap) is subject to the reporting, announcement and independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all of the three independent non-executive Directors, namely Mr. Thomas Tam, Mr. Pao Ping Wing and Ms. Zheng Lin, has been established to consider the terms of the Disposal and the Pledge CCT (including the Proposed Cap) and to make recommendation to the Independent Shareholders as regards voting. We, Guotai Junan Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Disposal and the Pledge CCT (including the Proposed Cap) are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

We are independent from and not connected with the Group and the Purchaser or, where applicable any of their respective substantial shareholders, directors or chief executive, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, and are accordingly qualified to give independent advice to the Independent Board Committee and the Independent Shareholders regarding the Disposal and the Pledge CCT (including the Proposed Cap). During the last two years, there has been no engagement of us by any member of the Group. Apart from normal professional fees for our services to the Company in connection with this engagement, no arrangement exists whereby we will receive any fees and benefits from the Group and the Purchaser or, where applicable any of their respective associates.

BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our opinion, we have relied on the statements, information, opinions and representations expressed to us by the Directors and management of the Company. We have assumed that all such statements, information, opinions and representations expressed to us by the Directors and management of the Company, for which they are solely and collectively responsible, are true, accurate and complete in all material aspects at the time they were made and up to the date of the Circular. We have also assumed that all the opinions and representations have been reasonably made by the Directors and the management of the Company after due and careful enquiry. We have also sought and obtained confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach an informed view and have no reason to believe that any material information have been withheld, nor doubt the truth or accuracy of the information provided. We have not, however, conducted any independent investigation into the business and affairs of the Company or any of its subsidiaries, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONCERNED

In considering whether the terms of the Disposal and the Pledge CCT (including the Proposed Cap) are fair and reasonable in so far as the Independent Shareholders are concerned, we have taken into account the principal factors and reasons set out below:

(A) The Disposal

1. Background and reasons for the Disposal

(i) Review of the business and financial information of the Group

As at the Latest Practicable Date, the Group is principally engaged in two business segments, namely (i) communication system; and (ii) signal transmission and connectivity products. The communication system segment is relating to the provision of private network solutions, construction of base stations for telecommunications networks including TD-LTE, TD-SCDMA and GSM network, trading of telecommunications equipment, such as IPRAN and xPON and the manufacture and sale of mobile phone handsets, related accessories and software and mobile internet terminals. The signal transmission and connectivity products segment is relating to the manufacture and sale of power cord cable and assembly, automotive wiring harness and other products.

We summarise the audited consolidated results of the Group for the most recent two financial years as follows:

	For the year ended 31 December 2014 *RMB'000* (audited)	For the year ended 31 December 2013 *RMB'000* (audited)
Revenue	2,096,768	2,712,525
– Communication system	1,393,914	1,046,991
– Signal transmission and connectivity products	702,854	1,665,534
Gross profit	271,404	358,043
Gross profit margin	12.94%	13.20%
Segment results	116,547	(10,951)
– Communication system	108,304	99,343
– Signal transmission and connectivity products	8,243	(110,294)
Reconciliation items		
– Interest income	2,888	4,173
– Finance costs	(52,665)	(150,551)
– Corporate and other unallocated expenses	(2,864)	2,387
Profit/(Loss) before tax from continuing operations	63,906	(154,942)
Income tax expense	(16,117)	(25,020)
Loss for the year from a discontinued operation	–	(249)
Profit/(Loss) for the year	47,789	(180,211)

Source: Annual report of the Company for the year ended 31 December 2014

As set out in the table above, the total revenue of the Company decreased by approximately 22.7% from approximately RMB2,712.5 million for the year ended 31 December 2013 to approximately RMB2,096.8 million for the year ended 31 December 2014. Revenue from the signal transmission and connectivity products segment decreased by approximately 57.8% from approximately RMB1,665.5 million for the year ended 31 December 2013 to approximately RMB702.9 million for the year ended 31 December 2014. On the other hand, revenue from the communication system segment increased by approximately 33.1% from approximately RMB1,047.0 million for the year ended 31 December 2013 to approximately RMB1,393.9 million for the year ended 31 December 2014. Revenue contribution of the signal transmission and connectivity products segment to the Group decreased from approximately 61.4% for the year ended 31 December 2013 to approximately 33.5% for the year ended 31 December 2014. According to the annual report of the Company for the year ended 31

December 2014 (the "**2014 Annual Report**"), such decrease was mainly attributable to the decrease in revenue from the signal transmission and connectivity products segment after the disposal of a subsidiary, namely Sumptuous Wealth Limited (together with its subsidiaries, collectively "**Sumptuous Group**") on 26 November 2013 which offset the rapid growth of the communication system segment (details of the aforesaid disposal can be referred to the circular of the Company dated 27 June 2013).

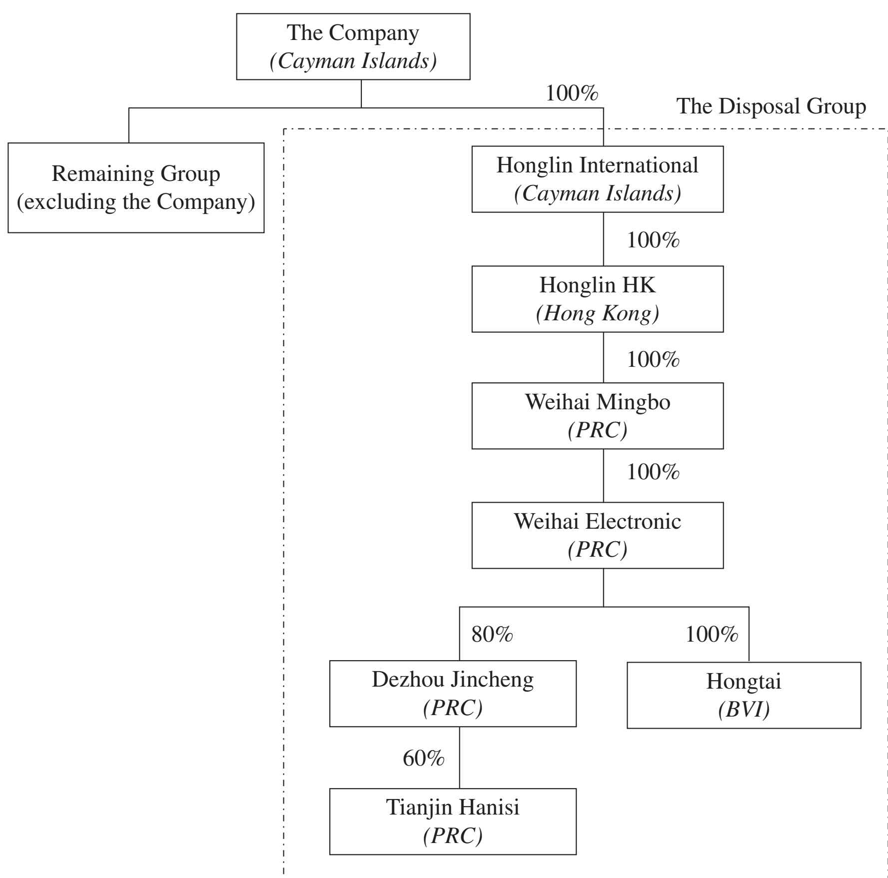
As regards the communication system segment, as mentioned in the 2014 Annual Report, 2014 was a great year for the development of the Fourth Generation ("**4G**") technology, mobile internet technology and enterprise private network technology in the PRC, which boosted the continuous development of the whole telecommunication industry. During the year 2014, the Group made its efforts in, among others, (i) expanding into the markets outside the PRC for products and services in communication system (including terminals and networks businesses) segment; (ii) deeply cooperating with existing customers and attracting new industrial customers, relying on its investments in research and development and marketing; and (iii) gradually transforming its operation model to research and development and sales and marketing oriented. As a result, the Group was able to continuously obtain more orders from both existing and new customers.

We were advised by the Company that the decrease in revenue from the signal transmission and connectivity products segment was mainly due to the decrease in sales of (i) power cord cable and assembly products; and (ii) automotive wiring harness. As further advised by the Company, the power cord cable and assembly products of the Disposal Group are mainly applied in household electrical appliance, LED and LCD TV, computer, printer and handheld electronic products (such as mobile phone and digital camera), and the Company has been facing the more intense competition and more innovative power cord manufacturers entering into the market with some renowned manufacturers able to develop wireless charger devices for some electronic products and found difficult to expand its customer base for the automotive wiring harness business due to the relatively closed customer circle in the industry.

The net profit of the Company was approximately RMB47.8 million for the year ended 31 December 2014 as compared to the net loss of approximately RMB180.2 million for the year ended 31 December 2013. According to the 2014 Annual Report, such improvement was mainly attributable to (i) the profit from the communication system segment of the Company; (ii) the fact that the Company has disposed of most of its loss-making businesses (i.e. Sumptuous Group) during the second half of 2013; and (iii) the strategies of the Group of allocating resources towards businesses with stronger profitability and seeking business restructuring and industrial upgrade began to take effect. As further set out in the 2014 Annual Report, the communication system segment recorded a net profit of approximately RMB77.1 million for the year ended 31 December 2014 after deducting certain depreciation and amortisation of the valuation premium arising from the previous acquisition whereas the signal transmission and connectivity products segment recorded a loss of approximately RMB29.3 million, including the certain impairment loss in respect of wire and cable equipment due to the lowering profitability. As set out in the table above, the segment results (being the profit of before allocation of interest income, finance costs, corporate and other unallocated expenses and tax) of the signal transmission and connectivity products changed from loss of approximately RMB110.3 million for the year ended 31 December 2013 to a gain of approximately RMB8.2 million for the year ended 31 December 2014. As advised by the Company, the positive segment results for the year ended 31 December 2014 was mainly due to the fact that it has not yet included an unallocated finance cots of which around two third was attributable to the Disposal Group. Taking into account the respective allocated finance costs, the signal transmission and connectivity products segment should be loss-making whilst the communication system segment should be profit-making for the past two financial years.

(ii) Background of the assets to be disposed of under the Disposal

The following chart shows the corporate structure of the Group (i.e. the Disposal Group and the Remaining Group) before the Completion:



The Disposal Group

Honglin International is a company incorporated in Cayman Islands on 5 November 2014 with limited liabilities. The issued capital (including share premium) of Honglin International was initially US$1 upon incorporation and then increased to US$32,383,265.8 as at the Latest Practicable Date. The principal business of Honglin International is investment holding and the major asset of which is the entire equity interests in Honglin HK as at the Latest Practicable Date.

Honglin HK is a company incorporated in Hong Kong on 1 December 2014 with limited liabilities. The issued capital of Honglin HK was HK$1 as at the Latest Practicable Date. The principal business of Honglin HK is investment holding and the major asset of which is the entire interests in Weihai Mingbo as at the Latest Practicable Date.

Weihai Mingbo is a company established in the PRC on 29 May 2013 with limited liabilities pursuant to the split-off of Weihai Electronic. On 20 October 2014, the Mingbo Split-off was approved, pursuant to which certain land and property were transferred to Weihai Yubo. The registered capital of Weihai Mingbo is approximately US$32.4 million as at the Latest Practicable Date. The principal business of Weihai Mingbo is investment holding and the major asset of which is the entire interests in Weihai Electronic and certain land and property as at the Latest Practicable Date.

Weihai Electronic is a company established in the PRC on 27 November 1997 with limited liabilities. On 29 May 2013, Weihai Electronic underwent a split-off, pursuant to which Weihai Electronic continued to be in existence and two new companies, namely Weihai Mingbo and Weihaishi Hongbo Wire & Cable Technology Co. Ltd. were established. The registered capital of Weihai Electronic was RMB275.0 million as at the Latest Practicable Date. The principal business of Weihai Electronic is the manufacture and sale of power cord cable and assembly products and investment holding, and the major assets of which were (i) the 80% interests in Dezhou Jincheng; and (ii) the entire interests in Hong Tai Company Limited ("**Hongtai**") as at the Latest Practicable Date.

Dezhou Jincheng is a company established in the PRC on 25 January 2013 with limited liabilities. The registered capital of Dezhou Jincheng was RMB87.8 million and owned as to 80% and 20% by Weihai Electronic and Weihai Tiancheng Economic Information Consultancy Co., Ltd., (a company wholly-owned by a former Director and his family member who are now independent third parties of the Company) respectively as at the Latest Practicable Date. The principal business of Dezhou Jincheng is the manufacture and sale of mechatronics and electronic devices, and manufacture and sale of automotive wiring harness and the major asset of which was the 60% interests in Tianjin Hanisi as at the Latest Practicable Date.

Hongtai is a company incorporated in BVI on 10 December 2013 with limited liabilities. The issued capital of Hongtai was US$1,000 as at the Latest Practicable Date. As advised by the Company, the principal business of Hongtai is investment holding and did not have any substantive business as at the Latest Practicable Date.

Tianjin Hanisi is a company established in the PRC on 13 November 2013 with limited liabilities. The registered capital of Tianjin Hanasi is RMB5.0 million and owned as to 60% and 40% by Dezhou Jincheng and two independent third parties respectively as at the Latest Practicable Date. The principal business of Tianjin Hanisi is the manufacture and sale of automotive wiring harness.

The Remaining Group

As advised by the Company, the major companies in the Remaining Group comprise New Postcom Technology Company Limited, Shenyang New Postcom Co. Ltd., Weihai Yubo and Weihai Property as at the Latest Practicable Date.

New Postcom Technology Company Limited is principally engaged in the sales of microwave satellite communication equipment and mobile phones in the PRC and overseas and provision of relevant services.

Shenyang New Postcom Co. Ltd. is principally engaged in communication system segment of the Company, i.e. the provision of private network solutions, construction of base stations for telecommunications networks including TD-LTE, TD-SCDMA and GSM network, trading of telecommunications equipment, such as IPRAN and xPON and the manufacture and sale of mobile phone handsets, related accessories and software and mobile internet terminals.

Weihai Yubo had no substantive business in operation and its major assets comprise certain land and property and the entire interest in Weihai Property as at the Latest Practicable Date.

The business scope of Weihai Property includes, among other things, property development, sale of commercial housing and provision of property services. As at the Latest Practicable Date, Weihai Property did not have any substantive business and the major asset of which was a parcel of land.

(iii) Reasons for and benefits of the Disposal

As set out in the Letter from the Board, during the year ended 31 December 2014, the revenue from signal transmission and connectivity products segment decreased by approximately 57.8%, mainly due to (i) the effect that Sumptuous Group ceased to contribute to the Group after the disposal of which on 26 November 2013; and (ii) the performance of products of power cord cable and assembly, automotive wiring harness and other products in 2014 was also not satisfactory. Furthermore, the Company expects a more intense competition for power cord cable and assembly products as more and more innovative power cord manufacturers have entered the market with some of them able to develop wireless charging devices for some electronic products which is a substantial threat to the power cord business of the Company. Coupling with more stringent requirement on product quality and safety, the Company would require to incur increasing costs on testing and production which is difficult for the Company to follow. Thus the Company believes that the prospect of the power cord business is not clear and is pessimistic to the growth in profit in the foreseeable future. On the other hand, the development of the automotive wiring harness business is slow and is difficult to make progress since its acquisition mainly due to the relatively closed customer circle in the industry. As such, the Company was unable to make profit with the automotive wiring harness business and relevant inventories in its factory have become slow moving.

On the contrary, as set out in the Letter from the Board, 2014 was a great year for the development of the 4G technology, mobile internet technology and enterprise private network technology in the PRC which boosted the continuous development of the whole telecommunication industry. The communication system segment of the Company has recorded a growth in revenue of approximately 33.1% during the year ended 31 December 2014. Therefore, the Company considers that the Disposal represents an opportunity to the Company for realising its loss-making businesses and re-directing its resources to other businesses with growth potential.

As part of our due diligence, we have obtained and reviewed (i) the unaudited and unreviewed consolidated financial information of the Disposal Group for each of the two years ended 31 December 2014; and (ii) the reviewed consolidated financial information of the Disposal Group for the four months ended 30 April 2015 and summarised the key figures in the table below.

	For the four months ended 30 April 2015 *RMB'million* (reviewed)	**For the year ended 31 December 2014** *RMB'million* (unaudited and unreviewed)	**For the year ended 31 December 2013** *RMB'million* (unaudited and unreviewed)
Revenue	215.8	678.4	717.8
Gross profit	21.8	94.5	95.3
Net (loss) after taxation	(17.4)	(29.6)	(29.3)
Net assets attributable to owners of the parent	171.2	191.4	220.9

As depicted by the table above, the revenue of the Disposal Group decreased by approximately 5.5% from approximately RMB717.8 million for the year ended 31 December 2013 to approximately RMB678.4 million for the year ended 31 December 2014. As advised by the Company, such decrease was mainly due to decrease in sales volume of raw power cord and the average selling price of power cord cable.

The gross profit of the Disposal Group decreased by approximately 0.8% from approximately RMB95.3 million for the year ended 31 December 2013 to approximately RMB94.5 million for the year ended 31 December 2014 whilst the gross profit margin has been maintained at similar level. As advised by the Company, such decrease was mainly due to the decrease in sales amount and the rise in manufacturing cost. Gross profit of the Disposal Group was approximately RMB21.8 million for the four months ended 30 April 2015 (representing approximately 23.1% of the gross profit for the year ended 31 December 2014). We noted that the gross profit margin of approximately 10.1% for the four months ended 30 April 2015 is lower than that of approximately 13.3% and 13.9% for the year ended 31 December 2013 and 2014 respectively.

The net loss after taxation of the Disposal Group increased by approximately 1.0% from approximately RMB29.3 million for the year ended 31 December 2013 to approximately RMB29.6 million for the year ended 31 December 2014. As advised by the Company, such increase was mainly due to the decrease in gross profit as a result of the abovementioned factors. Net loss after taxation of the Disposal Group was approximately RMB17.4 million for the four months ended 30 April 2015, representing approximately 58.8% of the net loss after taxation of the Disposal Group for the year ended 31 December 2014.

According to the 2014 Annual Report, the communication system segment (being the major business conducted by the Remaining Group) has been playing a more importation role in the Group and the revenue of which increased by approximately 33.1% from approximately RMB1,047.0 million for the year ended 31 December 2013 to approximately RMB1,393.9 million for the year ended 31 December 2014. The segment results increased by approximately 9.1% from approximately RMB99.3 million for the year ended 31 December 2013 to approximately RMB108.3 million for the year ended 31 December 2014.

We have obtained and reviewed a revenue breakdown (by product category) of Weihai Electronic, being the major operating company of the Disposal Group in respect of the manufacture and sale of power cord cable and assembly products, and noted that the products of Weihai Electronic are mainly applied to household electrical appliance, LED and LCD TV, computer, printer and handheld electronic products (such as mobile phone and digital camera) and certain portion of them were sold overseas. As part of our due diligence work, we have reviewed the industry information on the export of household electrical appliance as set out in the website of China Household Electrical Appliances Association[1] and noted that the annual growth rate of export of household electrical appliance decreased from approximately 9.9% in 2013 to approximately 5.1% in 2014. We have also noted from statistics of the PRC Customs that the total export quantity of printers, digital cameras, wireless telephone handsets and automatic data processing machines and units (including computers and tablets) increased by approximately 12.8% in 2013 and approximately 4.9% in 2014. During the first quarter of 2015, the export quantity decreased by approximately 0.6% (quarter-on-quarter basis).

As the Disposal Group is also engaged in the manufacture and sale of mechatronics and electronic devices and automotive wiring harness for automobiles in the PRC, we have also conducted independent research on the website of China Association of Automobile Manufacturers[2] and noted that the annual growth in production volume of automobiles in the PRC decreased from approximately 14.8% in 2013 to approximately 7.3% in 2014. During the first quarter of 2015, the annual growth rate further decreased to approximately 5.3% (quarter-on-quarter basis).

Upon the Completion, the Group will cease to be engaged in the signal transmission and connectivity products segment and focus on the communication system segment. As set out in the Letter from the Board, the Company intends to continue to implement business optimisation, with concentrating more resources on domestic market exploration and research and development of mobile internet system and related products, represented by enterprise private internet and intelligent terminals, with the expectation to further promote the market share and technological edge in the industry of the Company in the coming 12 months. As such, we have reviewed 2014 年通信運營業統計公報 (transliterated as Report of operating statistics for telecommunication industry in 2014, the "**Industry Report**") published by Ministry of Industry and Information Technology of the People's Republic of China and noted that the revenue of the PRC telecommunication industry grew by approximately 8.5% in 2013 and approximately 3.6% in 2014 respectively. Nevertheless, the industry revenue attributable to mobile data and internet increased from approximately 17% in 2013 to approximately 23.5% in 2014. According to the Industry Report, the number of base station for mobile network has been increasing between 2009 and 2014 and recorded at a compound annual growth rate of approximately 32% and the number of users in the PRC of 3G and 4G technology has been significantly increasing between 2009 and 2014 and in light of the development of 3G and 4G technology in the PRC.

[1] *According to the website of China Household Electrical Appliances Association, it is a non-profit making association supervised by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. China Household Electrical Appliances Association conducts industry survey, analysis and disseminate industry information.*

[2] *China Association of Automotive Manufacturers (CAAM) is an organization founded in Beijing in the May of 1987, with the approval of the Ministry of Civil Affairs of the PRC. It is a self-discipline and non-profit social organization formed based on the principle of equality and voluntariness, which consisting of enterprises and institutions as well as organizations engaged in production and management of automobiles (motorcycles), auto parts and vehicle-related industries founded within the boundaries of the PRC.*

Taking into account the abovementioned, we consider that there are commercial reasons for the Company to put forward the Disposal with a view to divest its loss-making businesses in the signal transmission and connectivity products segment and reallocate more resources to its profit-making businesses in the communication system segment.

2. Terms of the Disposal

(i) Consideration

As stated in the Letter from the Board, the initial Consideration of HK$255 million is subject to the Adjustment Amount which is calculated based on the following factors:

(i) the NAV Difference; and

(ii) the Valuation Surplus

If the Adjustment Amount is positive, then the initial Consideration should be adjusted upward by the same amount; and if the Adjustment Amount is negative, then the initial Consideration should be adjusted downward by the same amount.

We have reviewed the S&P Agreement and further discussed with the Company regarding the aforesaid adjustment mechanism of the Consideration, and we noted the following:

(a) the initial Consideration of HK$255 million determined as at the date of S&P Agreement

The initial Consideration of HK$255 million is determined with reference to the unaudited and unreviewed consolidated net asset value of the Disposal Group as at 31 December 2014 plus the difference between the appraised value of the Properties and the unaudited net book value of such properties as at 31 December 2014.

(b) the NAV Difference

As set out in the Letter from the Board, the NAV Difference represents the amount of the consolidated net asset value of Honglin International attributable to owners of the parent as at 30 April 2015 reviewed by the Auditors less (a) the unaudited and unreviewed consolidated net asset value of the Honglin HK Group attributable to owners of the parent as at 31 December 2014; (b) the difference between the unaudited and unreviewed consolidated net asset value of Weihai Property as at 31 December 2014 and the consideration for the disposal of Weihai Property to the Remaining Group in January 2015; and (c) the unaudited and unreviewed net asset value of Honglin International as at 28 April 2015.

We have reviewed the unaudited and unreviewed accounts of Honglin HK for the year ended 31 December 2014 and noted that its consolidated net liabilities attributable to owners of the parent was approximately RMB15.3 million (or equivalent to approximately HK$19.4 million) as at 31 December 2014. We were advised by the Company that on 24 April 2015, relevant resolution of Honglin International was passed pursuant to which the Honglin International has allotted and issued 1,000 new shares to the Company for capitalisation of an amount due from Honglin HK (being the wholly subsidiary of Honglin International) to the Company of US$32,383,264.8. As a result, the issued share capital (including share premium) of Honglin International increased from US$1 (equivalent to approximately HK$7.8) to US$32,383,265.8 (equivalent to approximately HK$252,589,465.1). Therefore, the aggregation of points (a) and (c) mentioned above is to mimic the consolidated net asset value of Honglin International attributable to owners of the parent as at 31 December 2014 as if the aforesaid capitalisation had already taken place.

As advised by the Company, Weihai Property was acquired by Weihai Electronic pursuant to a sale and purchase agreement dated 22 March 2013. Since the Company intends to develop a parcel of land which is currently owned by Weihai Property for property development or realise of its investment in Weihai Property when opportunity arises, the Company decides to retain Weihai Property in the Remaining Group and on 5 January 2015, Weihai Electronic and Weihai Yubo entered into a sale and purchase agreement for the sale of the entire interests in Weihai Property to Weihai Yubo. We were given to understand that point (b) mentioned above is to reflect the financial impact from the disposal of Weihai Property in the net asset value of the Disposal Group as at 31 December 2014. We have reviewed the aforesaid sale and purchase agreement and the unaudited management accounts of Weihai Property and noted that the unaudited gain on disposal of Weihai Property by the Disposal Group should be approximately RMB4.3 million (or equivalent to approximately HK$5.4 million).

Hence, the NAV Difference serves the purpose for adjusting the initial Consideration according to the change in consolidated net asset value of Honglin International attributable to owners of the parent during the four months ended 30 April 2015 which is basically relevant to results of its business operation. Based on the abovementioned, the NAV Difference is a negative amount of HK$21,552,531.

(c) the Valuation Surplus

As discussed with the Company, the Valuation Surplus is the difference between the valuation of the Properties as at 30 April 2015 and as at 31 December 2014 as appraised by an independent valuer, Jones Lang LaSalle (the "**Valuer**").

We have reviewed the property valuation reports (the "**Property Valuation Reports**", details of the report relating to the valuation as at 30 April 2015 has been set out in Appendix II to the Circular) of the Properties as at 31 December 2014 and 30 April 2015 respectively and noted that the Properties comprise a parcel of industrial land (the "**Land**") and eight buildings (two manufactory buildings, four dormitory buildings, a guardroom and a warehouse, collectively the "**Buildings**"). As such, we have obtained and reviewed the land use right certificate and property ownership certificates relating to the Properties and noted that all the Properties are legally owned by the Disposal Group. As advised by the Company, the Properties were occupied by Weihai Electronic for its production use as at the Latest Practicable Date.

As part of our due diligence work, we have performed the following steps regarding the appraisal value in respect of the Properties prepared by the Valuer and the Property Valuation Reports pursuant to note 1(d) to Rule 13.80 of the Listing Rules:

(i) we have reviewed the brochure and track record of the Valuer and were satisfied with their experience and expertise;

(ii) we have also reviewed the terms of engagement of the Valuer and the scope of work set out therein and considered that the scope of work of the Valuer is appropriate and without limitation; and

(iii) we have been confirmed by the Valuer that, save and except for this engagement and the other engagements in relation to (i) properties and business valuation for the transactions disclosed in the circular of the Company dated 31 December 2012 and 27 June 2013; (ii) business valuation on cash-generating units for impairment tests for the annual and interim accounts of the Company from 2013 to 2014; and (iii) valuation of a parcel of land owned by Weihai Property as at 30 April 2015, they have no current or prior relationship with the Company, the Purchaser, Mr. Chi and connected persons of them.

We understand that the Valuer has adopted (i) the market approach when preparing the valuation of the Land; and (ii) the cost approach when preparing the valuation of the Buildings, and the valuation of the Properties represents the aggregate value of the Land and the Buildings. We noted that the Valuer has made reference to the transactions of comparable lands when determining the value of the Land under the market approach. However, as there are unlikely to be relevant market comparable sales and rents readily available due to the nature of the buildings and structures of the Properties and the particular location in which they are situated, the Valuer adopted the cost approach for the valuation of the Buildings with reference to the depreciated replacement cost of the Buildings. As set out in the Property Valuation Reports, the depreciated replacement cost refers to the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

As part of our due diligence work, we have reviewed the comparable transactions of land that the Valuer has made reference to and noted that the lands under these comparable transactions and the Land are located nearby and of industrial use, and all the comparable transactions were conducted within the past 12 months. In addition, upon our enquiry to the Valuer, we noted that the Valuer has determined the value of the Buildings based on (i) the total area of the Buildings; (ii) the costs per square meter required for setting up similar buildings in the market; and (iii) the residual ratio applied to the Buildings after conducting physical inspection of the Buildings and the considering the remaining useful life of the Buildings. We consider that the method of valuation of the Properties by the Valuer is reasonable.

As stated in the Property Valuation Reports, the total valuation of the Properties is approximately RMB72,356,000 as at 30 April 2015 which is slightly lower than that of

RMB72,863,000 as at 31 December 2014 (i.e. the Valuation Surplus is a negative amount of RMB507,000 (or equivalent to approximately HK$642,740). Upon our due diligence enquiry to the Valuer, we noted that such decrease in fair value of the Properties is mainly due to decrease in both the residual value of the Buildings and the remaining useful life of the Land.

(d) the final Consideration

We have reviewed the terms of the S&P Agreement in relation to the adjustment mechanism for the final Consideration and noted that the final Consideration shall not exceed HK$260 million and shall not be less than HK$200 million after adjustments for the NAV Difference and the Valuation Surplus.

Since the Adjustment Amount was determined as at the Latest Practicable Date, the Consideration has been accordingly finalised by the Company at HK$232,804,729 (equivalent to approximately RMB183,638,698), which is consistent to our analysis on points (b) to (d) above and the adjustment mechanism as set out in the S&P Agreement.

(ii) Undertaking from the Company

Pursuant to the S&P Agreement, the Company undertakes to the Purchaser that, among other things, save with prior consultation with and having obtained prior consent from the Purchaser or for the purpose of the transactions contemplated under the S&P Agreement, the assets and liabilities of the Disposal Group will not be materially changed since the date of the S&P Agreement and up to Completion.

3. Comparison with comparable companies

In order to assess the fairness and reasonableness of the final Consideration, we have exhaustively identified eight comparable companies listed on the Stock Exchanges which are principally engaged in the manufacture and sales of wires, cables and cords in relation to power connection and signal transmission. Since the Disposal Group was loss-making in 2014, we consider that the comparison of the price-to-earnings multiple with the comparable companies is not applicable. As the price-to-book multiple (the "**P/B**") is a commonly adopted approach to value loss-making business, we have compared the P/B of the comparable companies with that of the Disposal Group and have summarised the details below. Among these eight listed companies, we noted that China Oil Gangran Energy Group Holdings Limited (stock code: 8132) is engaged in three business segments and its assets attributable to the business similar to that of the Disposal represents less than one-fourth of its total assets. Hence, we consider that the P/B of this company does not truly reflect the valuation of its business or assets which is similar to that of the Group and thus exclude it from our comparison. Set out below is the comparison of P/B among the Disposal Group and the remaining seven comparable companies (the "**Comparables**").

Company name	Stock code	Principal business activities	Closing price per share as at the Latest Practicable Date *(HK$)*	Net profit/(loss) attributable to shareholders per share for the most recent financial year *(HK$)*	Net asset value attributable to shareholders per share as at the date of the latest published accounts *(HK$)*	P/B *(times)*
Jiangnan Group Limited	1366	Manufacture and sale of wires and cables for power transmission, distribution systems and electrical equipment	2.32	0.25	1.20	1.93
Chengdu PUTIAN Telecommunications Cable Company Limited	1202	Manufacture and sale of various types of telecommunication cables, optical fibers and cable joining sleeves	1.92	(0.01)	3.07	0.63
Perennial International Limited	725	Manufacturing and trading of electric cable and wire products	4.32	0.10	2.48	1.74
Hengxin Technology Ltd.	1085	Research, design, development and manufacture of telecommunications and technological products, production of radio frequency coaxial cables for mobile communications and mobile communications systems exchange equipment	2.33	0.32	3.83	0.61
Trigiant Group Limited	1300	Research, development and sales of radio frequency coaxial cable series, flame-retardant flexible cable series, new-type electronic components, other accessories, optical fibre cable series and related products for mobile communications and telecommunications transmission	2.54	0.42	1.89	1.35
China Fiber Optic Network System Group Ltd.	3777	Production and sale of fiber optic patch cords and other accessories	2.77	0.35	2.13	1.30

Company name	Stock code	Principal business activities	Closing price per share as at the Latest Practicable Date	Net profit/(loss) attributable to shareholders per share for the most recent financial year	Net asset value attributable to shareholders per share as at the date of the latest published accounts	P/B
			(HK$)	*(HK$)*	*(HK$)*	*(times)*
Yangtze Optical Fibre and Cable Joint Stock Limited Company	6869	Research, development, production and sale of preforms, optical fibres, optical fibre cables and related products	10.50	1.20	5.58	1.88
China Oil Gangran Energy Group Holdings Limited *(excluded from comparison)*	8132	(i) Manufacture and sale of power cords and inlet sockets for household electric appliances and power data cords for mobile handsets and medical control devices and raw cables; (ii) provision of programming services, web services, mobile marketing solutions and development of mobile phone games; and (iii) development of liquefied natural gas, compressed natural gas and related clean energy business	0.365	(0.01)	0.04	9.13
					Mean	1.35
					Median	1.35
					Maximum	1.93
					Minimum	0.61
The Disposal Group						1.00

Source: the Stock Exchange and published accounts of the above listed companies

As set out above, the P/B of the Disposal Group (as implied by the final Consideration which is equivalent to the net asset value of the Disposal Group as adjusted by the Adjustment Amount) of 1.00 time is within the range of the Comparables from approximately 0.61 time to 1.93 times and is comparable to the median P/B of the Comparables of approximately 1.35 times and the mean P/B of the Comparables of approximately 1.35 times as at the Latest Practicable Date. On such basis, we consider that the final Consideration is acceptable.

4. Financial effects of the Disposal on the Group

Upon the Completion, the Group shall not have any interest in the Disposal Group, and each of the companies in the Disposal Group shall cease to be a subsidiary of the Company. Therefore, the profit and loss and assets and liabilities of the Disposal Group will no longer be consolidated to the accounts of the Company.

(i) Earnings

For the year ended 31 December 2014, the Company recorded an audited profit of approximately RMB47.8 million. As set out in the Letter from the Board, it is expected that the Company will record a gain on the Disposal of approximately RMB9.0 million which is estimated based on (i) the final Consideration of HK$232,804,729 (or equivalent to approximately RMB183.6 million); (ii) the reviewed net assets of the Disposal Group attributable to owners of the parent of approximately RMB171.2 million as at 30 April 2015; and (iii) the deduction of the currently estimated professional fees and other expenses of the Remaining Group which are attributable to the Disposal of approximately RMB3.4 million. Nevertheless, the Shareholders should note that the actual gain or loss as a result of the Disposal to be recorded by the Group is subject to audit and is to be determined based on the amount of the consolidated net assets of Honglin International at the Completion and thus may or may not deviate from the abovementioned amount.

(ii) Assets and liabilities

As set out in the 2014 Annual Report, the audited total assets and total liabilities of the Company were approximately RMB2,429.9 million and approximately RMB1,574.5 million as at 31 December 2014 respectively. Based on the Review Accounts and after taking into account the estimated expenses and professional fees relating to the Disposal, it is estimated that upon the Completion, both the total assets and total liabilities would decrease and the net assets of the Group would increase by approximately RMB9 million as a result of the Disposal.

Based on the abovementioned, we consider that the possible financial effects of the Disposal are favourable to the Group.

RECOMMENDATION

Having considered the above principal factors, in particular,

(a) the reasons for entering into the S&P Agreement, including the disposal of the loss-making segment of the Group, which would enable the Group to reallocate more resources to focus on its profit-making segment of the Remaining Group;

(b) the final Consideration is acceptable as compared with the P/B of the Comparables;

(c) the recent trend of declining growth in the industry of the Disposal Group; and

(d) the Disposal will have an overall positive financial impact on the Group,

we consider that the terms of the Disposal to be on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to, and we recommend the Independent Shareholders to, vote in favour of the resolution to approve the S&P Agreement and the transactions contemplated thereunder.

(B) The Pledge CCT

1. Background and reasons for the Pledge CCT

On 24 December 2014, Weihai Yubo entered into the Asset Pledge Agreement with the Weihai branch of the Agricultural Bank of China, pursuant to which Weihai Yubo agreed to provide a pledge of land and property to guarantee the loan(s) obtained by Weihai Electronic in the amount not exceeding RMB95 million for the period from 24 December 2014 to 23 December 2017. The transaction under the Asset Pledge Agreement have been in force prior to the entering into of the S&P Agreement.

We were advised by the Company that prior to the Mingbo Split-off, Weihai Mingbo held certain land and property which has been pledged to banks to secure the bank loans granted to Weihai Electronic pursuant to several loan agreements (the "**Mingbo Loan Agreements**"). Such bank loans have been utilised by Weihai Mingbo (or Weihai Yubo after the Mingbo Split-off) for the construction of its factory building. As a result of the Mingbo Split-off, the entitlement of certain pledged land and property and corresponding liabilities relating to the bank loans were transferred to Weihai Yubo whilst the arrangement of the bank loans continue in view that Weihai Yubo, Weihai Mingbo and Weihai Electronic are within the Group. However, Weihai Yubo does not have any business in operation and Weihai Mingbo and Weihai Electronic will no longer be the members of the Group upon the Completion, it would be difficult for Weihai Yubo to maintain the same bank loans itself. In light of that the Company intends to continue (i) the existing pledge of land and property for the bank loans obtained by Weihai Electronic; and (ii) the back-to-back loan arrangement between Weihai Electronic and Weihai

Yubo, the Company determined to enter into the Asset Pledge Agreement (which have remained effective until 23 December 2017) and the Entrustment Loan Agreement for a term commencing from the even date to 31 December 2015.

As part of our due diligence, we have reviewed the unaudited management accounts of Weihai Yubo for the four months ended 30 April 2015 and noted that the assets of Weihai Yubo mainly comprise fixed assets of approximately RMB125.4 million and receivables of approximately RMB40.1 million as at 30 April 2015. As advised by the Company, such fixed assets are land and property being occupied by the Group (including the Disposal Group) as factories and the receivables are (i) amount due from the Company as to approximately RMB19.2 million; and (ii) amount due from its wholly-owned subsidiary, namely Weihai Property as to approximately RMB20.9 million (the "**Payables**"). We were also advised by the Company that on 29 May 2015, the Company entered into a sales and purchase agreement with an independent third party pursuant to which Weihai Yubo agreed to dispose of the entire interests in Weihai Property to the purchaser at a consideration of approximately RMB19.5 million which is payable within 30 days after the completion of registration to the relevant government authority. Besides, we noted that pursuant to the said sales and purchase agreement, the purchaser shall settle the Payables in full upon receiving the proceeds from the sales of property to be developed under Weihai Property and shall be no later than 31 December 2016. Furthermore, we noted from the unaudited management accounts of Weihai Yubo that Weihai Yubo had a payable to Weihai Electronic in the amount of approximately RMB106.5 million as at 30 April 2015. As further advised by the Company, approximately RMB95 million of such payables is relating to the bank loans under the Mingbo Loan Agreements subsequently transferred by Weihai Electronic. Thus, without the Pledge CCT, Weihai Electronic will have to repay the bank loans under the Mingbo Loan Agreements upon the Completion (or otherwise the pledged land and property will be confiscated by bank) and Weihai Yubo, in turn, will have to settle the payable immediately which would require additional capital from other members of the Remaining Group and adversely affect their liquidity and operation. Therefore, the Company considers that it is necessary to conduct the Pledge CCT as a transitional arrangement for extending the repayment period until the end of 2015.

As set out in the Letter from the Board, Weihai Electronic and Weihai Yubo entered into the Tenancy Agreement on 28 April 2015 for the lease of Weihai Yubo's factory building for a term from 28 April 2015 to 31 December 2017. Based on the total gross floor area of the leased factory building and the per square meter rent, it is expected that the annual rental income of Weihai Yubo will be approximately RMB4.0 million (being the maximum annual rent set out in the Tenancy Agreement). Therefore, the Pledge CCT will also enable Weihai Yubo to receive rental income by retaining its land and property.

Based on the abovementioned, we consider that there is commercial rationale for the Company to continue the Asset Pledge Agreement after the Completion and to enter into the Entrustment Loan Agreement.

2. Principal terms of the Asset Pledge Agreement and the Entrustment Loan Agreement

Pursuant to the Asset Pledge Agreement, Weihai Yubo agreed to provide a pledge of land and property to guarantee the loan(s) obtained by Weihai Electronic in the amount not exceeding RMB95 million for the period from 24 December 2014 to 23 December 2017 and the pledge has been in force prior to the entering into of the S&P Agreement. Pursuant to the Entrustment Loan Agreement, parties have agreed to continue the existing entrustment loans already obtained by Weihai Electronic under the pledge of assets provided by Weihai Yubo and the total principal amount of the entrustment loans shall be not more than RMB95 million. In addition, the principal amount and the interest accrued under the Entrustment Loan Agreement at any time during the term of the Entrustment Loan Agreement (i.e. from 28 April 2015 to 31 December 2015, subject to the Completion) shall not exceed RMB102 million.

We analyse the key terms of each of the Asset Pledge Agreement and the Entrustment Loan Agreement in the ensuing sections, in relation to the aspects of the Proposed Cap and the measures to safeguard interests of Independent Shareholders.

As our due diligence exercise, we have enquired the Company as to the factors taken into account when calculating the Proposed Cap. We were given to understand that the Proposed Cap is determined based on (i) the maximum credit amount under the Asset Pledge Agreement; and (ii) the relevant interest expenses and administrative costs in relation to bank, and summarise in the table below:

	For the year ending 31 December 2015 (estimated) *RMB'000*
Maximum credit amount under the Asset Pledge Agreement	95,000
Estimated interest expenses and administrative costs in relation to bank loan from the date of the Entrustment Loan Agreement to 31 December 2015	7,000
Proposed Cap	102,000

As advised by the Company, the maximum credit amount under the Asset Pledge Agreement of RMB95 million was determined with reference to the historical maximum credit amount under the previous asset pledge agreement between Weihai Mingbo and the Agricultural Bank of China. As such, we have obtained and reviewed the said asset pledge agreement and the relevant Mingbo Loan Agreements and noted that the maximum aggregate amount of loans of RMB94.4 million is comparable to the maximum credit amount of RMB95 million under the Asset Pledge Agreement which has been fully utilised as at 30 April 2015. We also noted from the Mingbo Loan Agreements that majority of the interest rate chargeable by the bank is determined with reference to the base interest rate quote by the Peoples's Bank of China plus 5% of such rate. As such, we have reviewed the relevant base interest rate of Peoples's Bank of China and noted that the latest published base interest rate (for loan due within one year) is 5.4% p.a. Assuming there will be no change in the terms of the Mingbo Loan Agreements, the interest rate applicable to the Entrustment Loan Agreement would be approximately 5.6% p.a. and accordingly the maximum interest expense (assuming that all the loan facilities will extend to end of this financial year) would be approximately RMB3.6 million. As set out in the Letter from the Board, the interest of the entrustment loan shall be payable by Weihai Electronic to the bank on a monthly basis, and Weihai Electronic shall charge the same amount of interest to Weihai Yubo on a back-to-back basis on the date of payment of the relevant interest to the bank. As the interest rate is determined by the bank and the entire interest payment payable by Weihai Yubo will be ultimately received by the bank, we consider that the determination of interest rate pursuant to the Entrustment Loan Agreement is fair and reasonable.

Pursuant to the Entrustment Loan Agreement, if Weihai Electronic incurs any administrative costs charged by the bank, Weihai Yubo shall reimburse such administrative costs to Weihai Electronic on the same date when such administrative costs were incurred. We were advised by the Company that such costs are mainly relating to the credit assessment, credit insurance and consultation which are commonly be required by the bank when granting the loans. As advised by the Company, such administrative costs generally amount to approximately 0.6% of the total bank loan. Having considered that the Proposed Cap also include a small buffer to cater the potential change in interest rate and any additional bank charge, we consider the basis for determining the Proposed Cap is acceptable.

On the above basis, we consider that the terms of the Asset Pledge Agreement and the Entrustment Loan Agreement (including the Proposed Cap) are fair and reasonable and in the interests of the Shareholders and the Company as a whole.

3. Measures to safeguard interests of Independent Shareholders

In compliance with the annual review requirements under the Listing Rules, the Company will comply with the following during the term of the Asset Pledge Agreement and the Entrustment Loan Agreement:

(i) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the Company's annual report and accounts that the continuing connected transactions have been entered into:

- in the ordinary and usual course of business of the Group;

- either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

- in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

(ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the continuing connected transaction:

- have received the approval of the Board;

- have been entered into, in all material aspects, in accordance with the relevant agreement governing the continuing connected transaction; and

- have not exceeded the annual cap;

Having considered, in particular, (i) the restriction of the value of the continuing connected transactions by way of the annual cap; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the continuing connected transactions and the annual cap not being exceeded, we are of the view that there are appropriate measures in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Taking into consideration of the above principal factors and reasons, we are of the opinion that the Pledge CCT is in the ordinary and usual course of business of the Company, on normal commercial terms, and the terms thereof (including the Proposed Cap) are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favor of the resolution proposed at the EGM thereby approving the Pledge CCT.

Yours faithfully,
For and on behalf of
Guotai Junan Capital Limited
Wilson Lo
Deputy General Manager

Note: Mr. Wilson Lo has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2006. Mr. Wilson Lo has more than ten years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions (including connected transactions of listed companies in Hong Kong).

FINANCIAL SUMMARY OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2014 have been set out in the Annual Report 2014 of the Company which was posted on 20 April 2015 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report of the Company for the year ended 31 December 2014:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0420/LTN20150420460.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2013 have been set out in the Annual Report 2013 of the Company which was posted on 17 April 2014 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report of the Company for the year ended 31 December 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0417/LTN20140417996.pdf

The audited consolidated financial statements of the Group for the year ended 31 December 2012 have been set out in the Annual Report 2012 of the Company which was posted on 18 April 2013 on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report of the Company for the year ended 31 December 2012:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0418/LTN20130418174.pdf

The three auditors' reports for the consolidated financial statements of the Group for the years ended 31 December 2012, 2013 and 2014 are unqualified reports.

1. STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 30 April 2015, being the latest practicable date prior to the printing of the Circular for the purpose of this indebtedness statement, the Group had outstanding bank borrowings of approximately RMB369 million (of which RMB130.5 million was unsecured and RMB238.5 million was secured by fixed charges on certain of the Group's assets) and other unsecured loans of approximately RMB100 million.

Contingent Liabilities

At the close of business on 30 April 2015, the Group has contingent liabilities in respect of guarantees amounting to RMB273.5 million given to a financial institution for general banking facilities granted to the Group's associates.

A subsidiary of the Group is currently a defendant in a lawsuit brought by a supplier alleging that the subsidiary breached and repudiated a commissioned development contract on software of handsets. At the same time, the Group instituted a counter-claim against the supplier for the compensation for the loss on default in a contract with one of the Group's customer. The litigation is likely to continue for a considerable amount of time, and the directors of the Company, based on the advice from the Group's legal counsel, believe that the outcome of this claim cannot be reliably estimated. Therefore, the Group has not provided for any claim arising from the litigation, other than the related legal and other costs incurred.

The Group underwent several intragroup reorganisations in year 2014, which included splitting and transfers of subsidiaries within the Group. The Group has filed the intragroup reorganisations, if required, with the relevant tax authorities. However, those intragroup reorganisations may be subject to further investigations if initiated and requested by the tax authorities. The directors of the Company believe that the taxes arising from those intragroup reorganisations have been properly dealt with and provided for in the financial statements for the current year. Given the complexity of relevant tax laws and regulations and the diversified practice of respective tax authorities, the directors of the Company consider that the existence of any additional tax obligation arising from those intragroup reorganisations cannot be confirmed until completion of such further investigation, if any, and/or issuance of any written notice by respective tax authorities. Therefore, the possible obligation of such additional tax has not been provided for.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of business, at the close of business on 30 April 2015, the Group did not have any outstanding loan capital, issued and outstanding or agreed to be issued, finance leases, debt securities, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

2. MATERIAL ADVERSE CHANGE

During the recent financial year, businesses of the Disposal Group have still been adversely affected by the continuous challenges and uncertainties in the global economies and consumer electronic industries and the trend of application of wireless technology in similar products and the relevant results were also adversely impacted.

Save as disclosed above, the Directors are not aware of any material adverse changes in the financial or trading position or prospects of the Group since 31 December 2014, being the date to which the latest audited consolidated financial statements of the Group were made up.

3. WORKING CAPITAL

The Remaining Group have historically financed working capital primarily through proceeds from sales of its products and borrowings from banks and other financial institutions. The Remaining Group will continue to finance the working capital primarily by proceeds from sales of products, and borrowings from banks and other financial institutions. The Directors are of the opinion that, after taking into account its internal resources and the existing available credit facilities of the Remaining Group and upon the completion of the Disposal, the Remaining Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a services and products provider for the global communication system, consumer electronics and automotive electronics markets. The Group is principally engaged in the designs, develops, manufactures and provision of communication system and signal transmission and connectivity products. The communication system segment engages in providing Private Network solutions, construction of base stations for telecommunications networks including TD-LTE, TD-SCDMA and GSM network, trading of telecommunications equipment, such as IPRAN and xPON, and the manufacture and sale of mobile phone handsets, related accessories and related software and Mobile Internet terminals. The signal transmission and connectivity products segment engages in the manufacture and sale of power cord cable and assembly, automotive wiring harness and other related products.

After Completion, the Remaining Group will be principally engaged in the manufacture and sales of network equipment and terminal products and provision of services to telecommunications service providers, which are included in the communication system segment of the Company.

As mentioned in the annual report of the Company for the year ended 31 December 2014, 2014 was a great year for the development of Fourth Generation ("**4G**") technology, Mobile Internet technology and enterprise Private Network technology in China, which boosted the continuous development of the whole telecommunication industry. As a reflection, the telecommunication technology has been deeply merged with traditional industry where people are surrounded by various applications of these technologies in their daily life and their working environment, which brings tremendous market demands. In particular, newly-developed enterprise Private Network technology has been making great progress as its customer base is expanding rapidly and penetrating into every corner of the world.

In view of that the PRC has experienced significant growth in the telecommunication industry over the past few years and the Twelfth Five Year Plan of the PRC also set out the milestone of advancement in the PRC information technology from 2015 to 2020 such as the upgrade in information network for broadband (fixed-line or mobile) and transition to 4G telecommunication technology (i.e. FDD-LTE and TDD-LTE), the Company considers the aforesaid will continue to benefit to the business of communication system of the Remaining Group.

The Consideration will be settled in cash which would enrich the internal resources of the Company for further developing the Remaining Business and/or financing new investment projects relating to communication application should such opportunity arise in the future. The Remaining Group will remain cautious in dealing with the complicated operating environment and will continue to make necessary investments in high-value areas for better equipping the Remaining Group and maintaining the Remaining Group at the technological forefront. In particular, in the coming 12 months, the Company intends to continue to implement business optimization, with concentrating more resources on domestic market exploration and research and development of Mobile Internet system and related products, represented by Enterprise Private Internet and intelligent terminals, with the expectation to further promote the market share and technological edge in the industry of the Company.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 30 April 2015 of the property interest to be disposed by the Company.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

10 June 2015

The Board of Directors
HL Technology Group Limited
Floor 4, Willow House
Cricket Square, P.O. Box 2804
Grand Cayman, KY1-1112
Cayman Islands

Dear Sirs,

HL Technology Group Limited (the "**Company**") intends to sell the entire issued share capital of Honglin international Company Ltd. ("**Honglin International**", a wholly-owned subsidiary of the Company as at the Latest Practicable Date) and its subsidiaries (hereinafter together referred to as the "**Disposal Group**") to Jia Ya Developments Limited (a related party of the Company). Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**Jones Lang LaSalle**" or "**we**") is instructed by the Company to provide valuation service on the property in which Weihaishi Mingbo Wire & Cable Technology Co., Ltd. ("**Weihai Mingbo**", a member of the Disposal Group) has interest for disclosure purpose.

The property comprises a parcel of land and 8 buildings and various ancillary structures erected thereon, which located at Pudong Road, Weihai Economic and Technological Development Zone, Weihai City, Shandong Province, the People's Republic of China (the "**PRC**"). We confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market value of the property interest as at 30 April 2015 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the property and the particular location in which it is situated, there are unlikely to be relevant market comparable sales and rents readily available, the property interest has been valued by the Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company, and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – DeHeng Law Offices, concerning the validity of the property interest in the PRC.

We have no reason to doubt the truth and accuracy of the information provided to us by the Company. We have also sought confirmation from the Company that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

The site inspection was carried out on 22 April 2015 to 24 April 2015 by Mr. Jack Ye who is a China Certified Public Valuer and has 9 years' experience in property valuation in the PRC.

All monetary figures stated in this report are in Renminbi (RMB).

Our valuation certificate is attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C. H. Chan
MRICS MHKIS RPS (GP)
Director

Note:

Gilbert C. H. Chan is a Chartered Surveyor who has 22 years' experience in the valuation of properties in the PRC.

VALUATION CERTIFICATE

Property interest held and occupied by the Disposal Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 30 April 2015 *RMB*
1.	A parcel of land, 8 buildings and various ancillary structures located at Pudong Road Weihai Economic and Technological Development Zone Weihai City Shandong Province The PRC	The property comprises a parcel of land with a site area of approximately 33,487 sq.m. and 8 buildings and various ancillary structures erected thereon which were completed in various stages between 2007 and 2009. The buildings have a total gross floor area of approximately 55,248.98 sq.m. The buildings include 2 manufactory buildings, 4 dormitory buildings, a guardroom and a warehouse. The structures mainly include roads, walls, and pipes. The land use rights of the property have been granted for a term expiring on 26 December 2057 for industrial use.	The property is currently occupied by Weihai Mingbo for production purpose, except for a portion of the property with a gross floor area approximately 48,401.29 sq.m. which is leased to a tenant for production use (refer to note 3).	72,356,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Wei Jing Guo Yong (2013) Di No. 095, the land use rights of a parcel of land with a site area of approximately 33,487 sq.m. have been granted to Weihai Mingbo, a member of the Disposal Group for a term expiring on 26 December 2057 for industrial use.

2. Pursuant to 8 Building Ownership Certificates – Wei Fang Quan Zheng Zi Di Nos. 2013066295, 2013066298, 2013066305, 2013066319, 2013066322, 2013066333, 2013066368 and 2013066365, 8 buildings of the property with a total gross floor area of approximately 55,248.98 sq.m. are owned by Weihai Mingbo.

3. Pursuant to a tenancy agreement, a portion of the property with a gross floor area approximately 48,401.29 sq.m. was leased to Weihaishi Honglin Electronic Co., Ltd, a wholly-owned subsidiary of Weihai Mingbo, for a term commencing from 1 January 2015 and expiring on 31 December 2019 at an annual rent of RMB2,420,064.50 for production use.

4. Pursuant to a Mortgage Contract - 2013 Nian Wei Shang Yin Zui Gao E Di Zi Di No. 84010184, entered into between Weihai Mingbo and Weihai City Commercial Bank, the property was subject to a mortgage for a mortgage term of 3 years expiring on 30 December 2015 at a maximum loan amount of RMB126,042,000.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:

   a. Weihai Mingbo has legally obtained the Land Use Rights and Building Ownership of the property, and is entitled to legally occupy, use and lease the property; and

   b. Above-mentioned Land Use Rights and Buildings are subject to a mortgage. The property can be freely transferred, mortgaged or otherwise disposed of after obtaining the mortgagee's consent.

6. The property contributes a significant portion of revenue to the Disposal Group, we are of the view that the property is the material property to the Disposal Group.

   As advised by Weihai Mingbo, details of the material property are as follow:

(a)	General description of location of the property	:	The property is located at Weihai Economic and Technological Development Zone, in the southern part of Weihai City. It is about 12 kilometres from the centre of Weihai City. It takes approximately 45 minutes' driving distance to Weihai Dashuipo Airport.
(b)	Details of encumbrances, liens, pledges, mortgages against the property	:	The property is subject to a mortgage in favour of Weihai City Commercial Bank.
(c)	Environmental Issue	:	No environmental impact assessment has been carried out.
(d)	Details of investigations, notices, pending litigation, breaches of law or title defects	:	Nil.
(e)	Future plans for construction, renovation, improvement or development of the property	:	As advised by Weihai Mingbo, there is no plan for new major development in the next 12 months from the date of this document.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material aspects 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 and debentures of the Company and any of its associated corporation (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO") which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions 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, or as otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to notified to the Company and the Stock Exchange were as follows:

Long position in Shares

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

Notes:

1. Mr. Chi was deemed to be interested in 97,000,839 Shares held by Chenlin International Joint Stock Company Limited by virtue of it being wholly-owned by Mr. Chi.

2. Mr. Cheng Wen was deemed to be interested in 90,000,000 Shares held by Castle Gate Ventures Limited by virtue of it being wholly-owned by Mr. Cheng.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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); (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) notified pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules to the Company and the Stock Exchange.

Interests of substantial shareholders

So far as is known to the Directors or chief executives of the Company, as at the Latest Practicable Date, the persons or corporations, other than a Director or chief executive of the Company who had 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 provision of Divisions 2 and 3 of Part XV of the SFO or under section 336 of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group or had any options in respect of such capital, were as follow:

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

Note:

1. Chenlin International Joint Stock Company Limited held approximately 13.5% interest in the Company, which entire issue share capital is owned by Mr. Chi.

2. Castle Gate Ventures Limited, which entire issued capital was owned by Mr. Cheng Wen, held approximately 12.5% interest in the Company. Mr. Cheng Wen serves as the sole director of Castle Gate Ventures Limited.

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 10% or more of the 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.

Interests in contract or arrangement

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group.

Interests in assets

Save for the Disposal and the Pledge CCT as disclosed in this circular, as at the Latest Practicable Date, none of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

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)).

Competing business

Each of the Directors has confirmed that so far as they are aware of, none of the Directors nor any proposed Director or his/her respective close associates has any interest in a business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

LITIGATION

As at the Latest Practicable Date, a subsidiary of the Group is currently a defendant in a lawsuit in relation to a commissioned development contract in software of handset. Save as disclosed above, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors pending or threatened against the Company or any of its subsidiaries.

EXPERTS AND CONSENTS

The qualification of the experts who have given opinion in this circular is as follows:

Name	Qualification
Guotai Junan	a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO
Jones Lang LaSalle	professional property valuer

As at the Latest Practicable Date, each of Guotai Junan and Jones Lang LaSalle has no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group and has no direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group since 31 December 2014, being the date to which the latest published audited accounts of the Company were made up or are proposed to be acquired or disposed of by or leased to any member of the Group.

Each of Guotai Junan and Jones Lang LaSalle has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of their letters and/or references to its name, in the form and context in which they respectively appear.

MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

(a) the S&P Agreement;

(b) the Asset Pledge Agreement;

(c) the Entrustment Loan Agreement;

(d) the tenancy agreement dated 28 April 2015 entered into between Weihai Yubo and Weihai Electronic, details of which are set out in the Announcement;

(e) the new master sale agreement dated 10 October 2014, pursuant to which HL Group continued to sell cable, power cord and relevant components to Jia Ya Group;

(f) the new master purchase agreement dated 10 October 2014, pursuant to which HL Group continued to purchase external and internal signal cable assembly from Jia Ya Group;

(g) the new cross guarantee agreement dated 10 October 2014, pursuant to which HL Group and Jia Ya Group continued to provide reciprocal guarantee on banking facilities of each other;

(h) the new commission agreement dated 10 October 2014, pursuant to which Honglin Technology Co., Ltd. continued to act as an agent for trading certain products of Weihai Electronic in Taiwan;

(i) the new tenancy and utility services agreement dated 10 October 2014, pursuant to which Dezhou Electronic continued to lease property and provide relevant utility services to Dezhou Jincheng;

(j) the sale and purchase agreement dated 27 June 2014 entered into between Weihai Elecronic and 威海天成經濟信息諮詢有限公司 (transliterated as "Weihai Tiancheng Economic Information Consultancy Company Limited") in relation to, among others, a sale and purchase of 20% equity interest in Dezhou Jincheng;

(k) the equity transfer agreement dated 10 January 2014 entered into between Weihai Electronic, 武漢亞光新民防火裝飾材料有限公司 (transliterated as "Wuhan Yaguang Xinmin Fire Prevention Decoration Materials Co., Ltd.") and 湖北康普斯醫療科技有限公司 (transliterated as "Hubei Kangpusi Medical Technology Co., Ltd.") in relation to the disposal of 10% equity interest in 武漢市泓淋科技有限公司 (transliterated as "Wuhan Honglin Technology Co., Ltd.");

(l) the equity transfer agreement dated 10 January 2014 entered into by the Weihai Electronic, 武漢市泓淋科技有限公司 (transliterated as "Wuhan Honglin Technology Co., Ltd.") and 武漢亞光新民防火裝飾材料有限公司 (transliterated as "Wuhan Yaguang Xinmin Fire Prevention Decoration Materials Co., Ltd.") in relation to the disposal of 90% equity interest in 武漢市泓淋科技有限公司 (transliterated as "Wuhan Honglin Technology Co., Ltd.");

(m) the supplemental agreement dated 26 November 2013 entered into between the Company, the Purchaser and Mr. Chi in relation to, among others, the revision of certain terms of the 2013 S&P Agreement;

(n) the master sale agreement dated 29 October 2013, pursuant to which HL Group sold cable, power cord and relevant components to Jia Ya Group;

(o) the master purchase agreement dated 29 October 2013, pursuant to which HL Group purchased external and internal signal cable assembly from Jia Ya Group;

(p) the cross guarantee agreement dated 29 October 2013, pursuant to which HL Group and Jia Ya Group provided reciprocal guarantee on banking facilities of each other;

(q) the commission agreement dated 29 October 2013, pursuant to which Honglin Technology Co., Ltd. acted as an agent for trading certain products of Weihai Electronic in Taiwan;

(r) the tenancy and utility services agreement dated 29 October 2013, pursuant to which Dezhou Electronic leased property and provide relevant utility services to Dezhou Jincheng;

(s) the disposal agreement dated 27 September 2013 entered into between the Company and U&T Electronics (Hong Kong) Co., Limited in relation to, among others, the sale and purchase of 25% equity interest in 武漢市泓淋電子有限公司 (transliterated as "Wuhan Honglin Electronic Co., Ltd.");

(t) the disposal agreement dated 27 September 2013 entered into between Weihai Electronic and 臨邑縣榮發電子有限公司 (transliterated as "Linyi Rongfa Electronic Co., Ltd.") in relation to, among others, the sale and purchase of 75% equity interest in 武漢市泓淋電子有限公司 (transliterated as "Wuhan Honglin Electronic Co., Ltd.");

(u) the supplemental agreement dated 24 June 2013 entered into between the Company, the Purchaser and Mr. Chi in relation to, among others, the revision of certain terms of the 2013 S&P Agreement; and

(v) the 2013 S&P Agreement.

GENERAL

(a) The secretary of the Company is Ms. Ho Wing Yan ("**Ms. Ho**"). Ms. Ho is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is situated at Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

(c) The Company's headquarter situates at Pudong Road, Economic and Technological Development Zone, Weihai, Shandong Province, the PRC. The Company's head office and principal place of business in Hong Kong situates at 33rd Floor, Shui On Centre, 6–8 Harbour Road, Wanchai, Hong Kong.

(d) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) In the event of inconsistency, the English text shall prevail over the Chinese text.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during 9:00 a.m. to 5:00 p.m. at the Company's head office and 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 memorandum and articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2014;

(c) the letter from the Board, the text of which is set out on pages 8 to 20 of this circular;

(d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 21 to 22 of this circular;

(e) the letter from Guotai Junan to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 23 to 45 of this circular;

(f) the valuation report on the property prepared by Jones Lang LaSalle as set out in Appendix II to this circular;

(g) the letters of consents referred to in the section headed "Experts and consent" in this Appendix;

(h) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and

(i) this circular.

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 3 p.m. on Thursday, 25 June 2015 at Conference Room No. 8, 8th Floor, Jin Tai Hotel, No. 38 Di'anmenxidajie, Xicheng District, Beijing, People's Republic of China for the purpose of considering and, if thought fit, passing the following resolution as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**:

   (a) the conditional sale and purchase agreement dated 28 April 2015 entered into between the Company, Jia Ya Developments Limited and Mr. Chi Shaolin (the "**S&P Agreement**") in relation to, among others, the disposal of the entire interest in Honglin International Limited (a copy of which has been produced to the EGM marked "A" and initialled by the chairman of the EGM (the "**Chairman**") for identification purpose) and the transactions contemplated thereunder be and are hereby confirmed, ratified and approved; and

   (b) any one or more of the directors of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the S&P Agreement and the transactions contemplated thereunder."

2. "**THAT**:

   (a) the agreement dated 28 April 2015 entered into between威海市裕博線纜科技有限公司(Weihaishi Yubo Wire & Cable Technology Co., Ltd.*) ("**Weihai Yubo**") and 威海市泓淋電子有限公司 (Weihaishi Honglin Electronic Co., Ltd.) ("**Weihai Electronic**") (the "**Entrustment Loan Agreement**") in relation to, among others, Weihai Yubo continuing to entrusting a qualified

* *for identification purposes only*

bank to provide an entrustment loan to Weihai Electronic in the principal amount of not more than RMB95 million and the total amount of the entrustment loan which includes the principal amount and the interests accrued at any time during the term of the Entrustment Loan Agreement not more than RMB102 million (a copy of which has been produced to the EGM marked "B" and initialled by the Chairman for identification purpose) and the transaction contemplated thereunder be and are hereby confirmed, ratified and approved, and the relevant cap on an annual basis in the amount of RMB102 million for the year ending 31 December 2015 be and are hereby confirmed, ratified and approved; and

(b) any one or more of the directors of the Company be and is hereby authorised to do all such acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Entrustment Loan Agreement and the transaction contemplated thereunder."

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

Hong Kong, 10 June 2015

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 share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, located at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time fixed for holding the Meeting or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the Meeting or any adjourned meeting thereof should he so wishes.

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purposes seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholding.

4. The ordinary resolutions set out in this notice of extraordinary general meeting will be put to shareholders of the Company to vote taken by way of a poll.