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**HL Technology Group Limited**  
**泓淋科技集團有限公司\***  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1087)**

## **ANNOUNCEMENT**

### **CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF EQUITY INTEREST OF A NON-WHOLLY OWNED SUBSIDIARY AND ACQUISITION OF RITUO TECHNOLOGY**

#### **DISPOSAL AND ACQUISITION**

The Board of the HL Technology Group Limited is pleased to announce that, on 20 November 2012 (after trading hours), Weihai Electronic, a wholly owned subsidiary of the Company, entered into the Disposal Agreement, pursuant to which Weihai Electronic has agreed to sell, and Wang Xiang has agreed to purchase 55% equity interest in Rituo Automotive at the consideration of RMB 58.60 million (equivalent to approximately HK\$70.32 million), representing the amount of capital contribution injected by Weihai Electronic into Rituo Automotive in February 2011.

On the same day, Weihai Electronic entered into an Acquisition Agreement with Rituo Automotive, pursuant to which Rituo Automotive has agreed to sell and Weihai Electronic has agreed to purchase 100% equity interest in Rituo Technology at the consideration of RMB 15.00 million (equivalent to approximately HK\$18.00 million). The consideration was determined by reference to, among other things, the total amount Rituo Automotive invested into Rituo Technology and the net asset value of Rituo Technology as at 31 October 2012.

#### **IMPLICATIONS UNDER THE LISTING RULES**

Wang Xiang holds more than 30% of the registered capital of Rituo Automotive and is a director of Rituo Automotive immediately before and after the Disposal. Wang Xiang is therefore considered as a director of the listed issuer (as defined in Rule 14A.10 (7) of the Listing Rule) within the preceding 12 months. Accordingly, both Wang Xiang and Rituo Automotive are connected persons of the Company and each of the Disposal and Acquisition constitutes a connected transaction of the Company. The Disposal and the Acquisition, when aggregated, is a

connected transaction which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of the Disposal and the Acquisition constitutes a transaction pursuant to Rule 14.04(1)(A) of the Listing Rules and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal and the Acquisition, when aggregated, are more than 5% but less than 25%. Accordingly, the Disposal and the Acquisition, when aggregated, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Company has established the Independent Board Committee, comprising all independent non-executive Directors. The Company will appoint the Independent Financial Adviser which will make a recommendation to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Disposal and the Acquisition. The Independent Board Committee will, upon the advice of the Independent Financial Adviser, make recommendations to the Independent Shareholders as to whether the terms of the Disposal and the Acquisition are fair and reasonable and whether the Disposal and the Acquisition is in the interest of the Company and its shareholders as a whole, which will be disclosed in the circular to be prepared and despatched by the Company in connection with the EGM.

## **EGM**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting in relation to the resolutions to approve, among other things, the Disposal and the Acquisition and the transactions contemplated thereunder at the EGM.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details of the Disposal and the Acquisition; (ii) a letter from the Independent Board Committee in relation to the Disposal and the Acquisition; (iii) a letter from the Independent Financial Adviser in relation to the Disposal and the Acquisition; (iv) notice of the EGM; and (v) other information as required under the Listing Rules will be despatched to the Shareholders on or before 11 December 2012.

## **BACKGROUND**

The Board is pleased to announce that, on 20 November 2012 (after trading hours), Weihai Electronic, a wholly owned subsidiary of the Company, entered into the Disposal Agreement, pursuant to which Weihai Electronic has agreed to sell, and Wang Xiang has agreed to purchase 55% equity interest in Rituo Automotive at the consideration of RMB 58.60 million (equivalent to approximately HK\$70.32 million), representing the amount of capital contribution injected by Weihai Electronic into Rituo Automotive in February 2011. Rituo Automotive will cease to be a subsidiary of the Company effective from the date of the Disposal Agreement, subject to all necessary resolutions of the Shareholders, including but not limited to the resolution of Independent Shareholders at the EGM.

On the same day, Weihai Electronic entered into an Acquisition Agreement with Rituo Automotive, pursuant to which Rituo Automotive has agreed to sell and Weihai Electronic has agreed to purchase 100% equity interest in Rituo Technology at the consideration of RMB 15.00 million (equivalent to approximately HK\$18.00 million). The consideration was determined by reference to, among other things, the total amount Rituo Automotive invested into Rituo Technology and the net asset value of Rituo Technology as at 31 October 2012.

## **PRINCIPAL TERMS OF THE DISPOSAL AGREEMENT**

**Date:** 20 November 2012 (after trading hours)

### **Parties:**

- (1) Weihai Electronic, the vendor;
- (2) Wang Xiang, the purchaser, a director of Rituo Automotive and an existing shareholder of Rituo Automotive holding 31.5% equity interest in Rituo Automotive before the Disposal; and
- (3) Rituo Automotive.

### **Asset to be disposed:**

Pursuant to the Disposal Agreement, Weihai Electronic has agreed to sell, and Wang Xiang has agreed to purchase 55% equity interest in Rituo Automotive.

### **Consideration:**

The consideration of RMB58.6 million (equivalent to approximately HK\$70.32 million) (the “**Disposal Consideration**”) was arrived at based on arm’s length negotiations between the vendor and the purchaser and on normal commercial terms, representing the amount of the capital contribution injected by Weihai Electronic into Rituo Automotive in February 2011.

### **Payment**

The Disposal Consideration shall be paid in full by Wang Xiang on or before 31 December 2012. If Wang Xiang fails to pay the Disposal Consideration in full by 1 January 2013, he will also have to pay interest equivalent to 10% above the benchmark interest rate on loans over the same period as announced by the People’s Bank of China which has been accrued on the balance of the Disposal Consideration. Wang Xiang and Rituo Automotive will enter into a separate irrevocable letter of undertaking with joint and unlimited liabilities in respect of the balance of the Disposal Consideration and the interest accrued thereunder.

## **PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT**

**Date:** 20 November 2012 (after trading hours)

### **Parties:**

- (1) Rituo Automotive, the vendor;
- (2) Weihai Electronic, the purchaser; and
- (3) Rituo Technology.

### **Asset to be acquired:**

Pursuant to the Acquisition Agreement, Weihai Electronic has agreed to acquire, and Rituo Automotive has agreed to sell 100% equity interest in Rituo Technology.

### **Consideration:**

The consideration of RMB15.00 million (equivalent to approximately HK\$18.00 million) (the “**Acquisition Consideration**”) was arrived at based on arm’s length negotiations between the vendor and the purchaser on normal commercial terms and by reference to, among other things, the total amount invested into Rituo Technology by Rituo Automotive and the net asset value of Rituo Technology as at 31 October 2012.

The original capital amount Rituo Automotive invested into Rituo Technology is RMB7.50 million (equivalent to approximately HK\$9.00 million).

### **Payment**

The Acquisition Consideration shall be paid by Weihai Electronic on or before 31 December 2012.

## **REASONS FOR AND BENEFITS OF THE DISPOSAL AND ACQUISITION**

The main reasons and benefits of the Disposal and the Acquisition are as follows:

The Company is principally engaged in the research and development, manufacture and sales of external and internal signal cable assembly, power cord assembly, signal transmission wire and cable, connectors, antennas, automotive wiring harness and other products for the world 3Cs’ industry. One of the Company’s long term plan includes developing its own automotive wiring harness business.

As Rituo Automotive has not been as profitable as expected, the Board wishes to dispose the automotive wiring harness business engaged by Rituo Automotive but retain Rituo Technology as a subsidiary of the Group to develop its wholly-owned automotive wiring harness business.

The Group considers it desirable to retain Rituo Technology as it will supply wires used for signal transmission on automotive and assist the Group in making a swift entry into the automotive industry. Through the Acquisition, the Group can also utilize its customer base, together with the Group’s existing expertise in signal transmission and connectivity and its exclusive techniques and capabilities in manufacturing in order to further expand and strengthen the size and profitability of the Group’s new business in automotive signal transmission wires.

Therefore, the Directors consider that the Disposal and the Acquisition and the terms of the Disposal Agreement and Acquisition Agreement are normal commercial terms and are fair and

reasonable and in the interest of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Wang Xiang holds more than 30% of the registered capital of Rituo Automotive and is a director of Rituo Automotive immediately before and after the Disposal. Wang Xiang is therefore considered as a director of the listed issuer (as defined in Rule 14A.10 (7) of the Listing Rule) within the preceding 12 months. Accordingly, both Wang Xiang and Rituo Automotive are connected persons of the Company and each of the Disposal and Acquisition constitutes a connected transaction of the Company. The Disposal and the Acquisition, when aggregated, is a connected transaction which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of the Disposal and the Acquisition constitutes a transaction pursuant to Rule 14.04(1)(A) of the Listing Rules and the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal and the Acquisition, when aggregated, are more than 5% but less than 25%. Accordingly, the Disposal and the Acquisition, when aggregated, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Company has established the Independent Board Committee, comprising all independent non-executive Directors. The Company will appoint the Independent Financial Adviser which will make a recommendation to the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the Disposal and the Acquisition. The Independent Board Committee will, upon the advice of the Independent Financial Adviser, make recommendations to the Independent Shareholders as to whether the terms of the Disposal and the Acquisition are fair and reasonable and whether the Disposal and the Acquisition is in the interest of the Company and its shareholders as a whole, which will be disclosed in the circular to be prepared and dispatched by the Company in connection with the EGM.

## **EGM**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholders will be required to abstain from voting in relation to the resolutions to approve, among other things, the Disposal and the Acquisition and the transactions contemplated thereunder at the EGM.

## **DESPATCH OF CIRCULAR**

A circular containing, among other things, (i) further details of the Disposal and the Acquisition; (ii) a letter from the Independent Board Committee in relation to the Disposal and the Acquisition; (iii) a letter from the Independent Financial Adviser in relation to the Disposal and the Acquisition; (iv) notice of the EGM; and (v) other information as required under the Listing Rules will be dispatched to the Shareholders on or before 11 December 2012.

## **INFORMATION ABOUT THE PARTIES**

### (i) The Company

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

### (ii) Weihai Electronic

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

### (iii) Rituo Automotive

Rituo Automotive is principally engaged in the design, research and development, manufacture and sale of automotive wiring harness products.

Set out below are the financial results of Rituo Automotive for the two years ended 31 December 2011, which were prepared in accordance with the PRC generally accepted accounting principles:

	<b>For the year ended 31 December</b>	
	<b>2010</b>	<b>2011</b>
	<b>Audited</b>	<b>Audited</b>
	(RMB'000)	(RMB'000)
Revenue	206,361	156,725
Profit before taxation and extraordinary items	1,360	2,497
Profit after taxation and extraordinary items	575	2,602
		<b>As at 31 December 2011</b>
		<b>Audited</b>
		(RMB'000)
Net asset value		96,325

The Company expects to realize from the Disposal a net gain before tax of approximately RMB 3.05 million (equivalent to approximately HK\$ 3.66 million), representing the difference between the consideration for the Disposal and the book carrying value of Rituo Automotive attributable to the Group at completion of the Disposal. The Company intends to use the proceeds from the Disposal as general working capital of the Company.

Wang Xiang and Wang Weiguo are existing shareholders of Rituo Automotive.

### (iv) Rituo Technology

Rituo Technology is principally engaged in design, research and development, manufacture and sale of automotive wiring harness products and automotive electronics and is wholly owned by Rituo Automotive.

Set out below are the financial results of Rituo Technology for the two years ended 31 December 2011, which were prepared in accordance with the PRC generally accepted accounting principles:

	For the year ended 31 December	
	2010	2011
	Audited	Audited
	(RMB'000)	(RMB'000)
Revenue	108,648.00	89,213.00
Profit before taxation and extraordinary items	1,040.00	-361.00
Profit after taxation and extraordinary items	780.00	-386.00
		<b>As at 31 December 2011</b>
		<b>Audited</b>
		(RMB'000)
Net asset value		18,071.00

## DEFINITIONS

In this announcement, unless otherwise indicated in the context, the following expressions have the meanings set out below:

“3Cs”	computer, consumer electronic, communication
“Acquisition”	the proposed acquisition of 100% equity interest in Rituo Technology
“Acquisition Agreement”	equity transfer agreement entered into by Weihai Electronic, Rituo Automotive and Rituo Technology in relation to the acquisition of 100% equity interest in Rituo Technology by Weihai Electronic
“Board”	the board of Directors of the Company
“Company”	HL Technology Group Limited (泓淋科技集團有限公司*), a company incorporated with limited liability on 16 November 2007 under the laws of the Cayman Islands and the shares of which are listed on the Stock Exchange (stock code: 1087)
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of 55% equity interest in Rituo Automotive
“Disposal Agreement”	equity transfer agreement entered into by Weihai Electronic, Wang Xiang and Rituo Automotive in relation to the transfer of 55% equity interest in Rituo Automotive
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving the Disposal and the Acquisition and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries

“HK\$”		the lawful currency of Hong Kong
“Hong Kong”		Hong Kong Special Administrative Region of the PRC
“Independent Committee”	Board	the committee of independent non-executive Directors, comprising Mr. Shu Wa Tung, Laurence, Mr. Song Lizhong and Ms. Zheng Lin., established to advise the Independent Shareholders in respect of the Disposal and the Acquisition
“Independent Financial Adviser”		the independent financial adviser to the Independent Board Committee and Independent Shareholders to be appointed to advise on the Disposal and the Acquisition according to the Listing Rules
“Independent Shareholders”		the Shareholders that are not required to abstain from voting under the Listing Rules if a general meeting is convened to approve the Disposal and the Acquisition
“Listing Rules”		The Rules Governing the Listing of Securities on the Stock Exchange
“PRC”		The People’s Republic of China, but for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Rituo Automotive”		Tianjin Rituo Automotive Electronics Co., Ltd. (天津日拓汽車電裝有限公司) incorporated in the PRC with limited liability, was a non-wholly owned subsidiary of the Company, which was owned as to 55% by Weihai Electronic, 31.5% by Wang Xiang and 13.5% by Wang Weiguo before the Disposal, and mainly engaged in research and development, manufacture and sales of automotive wiring harness for automobile assembly markets
“Rituo Technology”		Tianjin Rituo High Technology Co., Ltd (天津市日拓高科技有限公司) incorporated in the PRC with limited liability and wholly owned by Rituo Automotive before the Acquisition, and mainly engaged in design, research and development, manufacture and sale of automotive wiring harness products and automotive electronics
“RMB”		Renminbi, the lawful currency of the PRC
“Shareholder(s)”		the shareholder(s) of the Company
“Stock Exchange”		The Stock Exchange of Hong Kong Limited
“Wang Xiang”		an existing shareholder of Rituo Automotive, who holds as to 31.5% of the Rituo Automotive before the Disposal
“Weihai Electronic”		Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司), a wholly foreign owned company incorporated in the PRC on 27 November 1997 with limited liability, which is a wholly-owned subsidiary of the Company
“%”		per cent



*In this announcement, for the purpose of illustration only, amounts quoted in RMB have been converted into HK\$ at the rate of RMB1.00 to HK\$1.20. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.*

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

Hong Kong, 20 November 2012

*As at the date of this announcement, the executive Directors are Mr. Chi Shaolin, Mr. Jiang Taike and Mr. Li Jianming, the non-executive Director is Ms. Xu Yiming and the independent non-executive Directors are Mr. Shu Wa Tung, Laurence, Mr. Song Lizhong and Ms. Zheng Lin.*

*\*For identification purpose only*