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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 OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

HIGHLIGHTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue	**1,015,241**	1,318,803
Gross profit	**118,377**	165,769
Profit/(loss) before tax	**29,526**	(28,649)
Profit/(loss) for the period	**23,489**	(42,517)
Profit/(loss) attributable to:		
— Owners of the parent	**23,929**	(42,163)
— Non-controlling interests	**(440)**	(354)
	23,489	(42,517)
Earnings/(loss) per share		
— Basic (RMB cents)	**3.32**	(5.86)

* *For identification purposes only*

Selected Financial Ratios

	Six months ended 30 June	
	2014	2013
	(Approximate)	(Approximate)
Gross profit margin	**11.7%**	12.6%
Net profit/(loss) margin	**2.3%**	(3.2%)

	As at 30 June 2014 (Approximate)	As at 31 December 2013 (Approximate)
Current ratio (times)	**1.1**	1.0
Gearing ratio[(1)]	**22.6%**	25.9%
Return on total assets[(2)]	**1.0%**	(6.1%)
Return on total equity[(2)]	**2.9%**	(16.0%)

(1) Calculated by using short term borrowings divided by total assets.

(2) Calculated by using average balances of total assets and total equity.

CHAIRMAN'S STATEMENT

Performance Review

Main businesses of HL Technology Group Limited (the "Company", together with its subsidiaries, the "Group") focus on networks, terminals and signal transmission and connectivity products (namely power cord assembly mainly used on consumer electronics, wire and cable products including power cable and automotive cable and automotive wiring harness) after the completion of the disposal of Sumptuous Wealth Limited (together with its subsidiaries, collectively, "Sumptuous Wealth") on 26 November 2013 (details of which are set out in the circular of the Company dated 27 June 2013). As the continuous development of telecommunication technology, applications of the Fourth Generation ("4G") technology, Mobile Internet technology and enterprise Private Network technology keep expanding which brings tremendous market demands and has wide development prospects. In the meantime, the industry is competitive as more innovative competitors emerging. As for the consumer electronic market, demands are stable and competition are still fierce.

During the six months ended 30 June 2014, the Company made its own efforts in (i) expanding into the markets outside Mainland China for both networks and terminals segments; (ii) deeply cooperating with existing customers for networks business and winning new customers relying on its investments in research and development ("R&D") and marketing; and (iii) disposing several subsidiaries of the Company in the first half of 2014 to improve the overall liquidity of the Group and put the superior resources into the business with stronger profitability and better prospects.

The Group recorded total revenue of approximately RMB1,015.2 million for the six months ended 30 June 2014, representing a decrease of approximately RMB303.6 million, or approximately 23.0% as compared to revenue of approximately RMB1,318.8 million for the six months ended 30 June 2013. The decrease was mainly attributable to that (i) Sumptuous Wealth ceased to contribute to the Group after the disposal of it (as compared to its contribution to the revenue of approximately RMB498.1 million during the six months ended 30 June 2013); and (ii) revenue from terminals segment decreased by approximately RMB31.4 million, or approximately 18.8%. Nevertheless, networks segment recorded rapid growth of approximately RMB193.8 million, or approximately 58.5% and revenue from signal transmission and connectivity products segment increased by approximately RMB32.1 million, or approximately 10.0% as compared to that (other than the part attributable to Sumptuous Wealth) for the six months ended 30 June 2013.

The Group's gross profit for the six months ended 30 June 2014 amounted to approximately RMB118.4 million, representing a decrease of approximately 28.6% as compared to that for the six months ended 30 June 2013. The decrease was mainly attributable to: (i) decrease of approximately RMB63.2 million caused by the disposal of Sumptuous Wealth; and (ii) gross profit of terminals segment decreased by approximately RMB8.5 million, or approximately 39.1%. Nevertheless, the decrease was partially offset by (i) gross profit from networks segment increased by approximately RMB13.5 million, or approximately 31.1%; and (ii) gross profit from the signal transmission and connectivity products segment increased by approximately RMB10.8 million, or approximately 28.7% as compared to that (other than the part attributable to Sumptuous Wealth) for the six months ended 30 June 2013.

The Group's net profit amounted to approximately RMB23.5 million for the six months ended 30 June 2014 as compared to the net loss of approximately RMB42.5 million for the six months ended 30 June 2013, which is mainly attributable to (i) the profit from the terminal and network businesses of the Group; (ii) the significant reduction in operating costs mainly as a result of the disposal of most of its loss-making businesses by the Group during the second half of 2013; and (iii) the gains on disposals of the interests of certain subsidiaries of the Company during the first half of 2014.

Outlook

In light of the widespread use of the 4G technology, Mobile Internet technology and enterprise Private Network technology, demands on network and terminal equipments will keep expanding, therefore, the Group will keep increasing the investments in the R&D and marketing on these products, seeking for more partners and working closely with them to develop new products to fulfill the demands in the market. Furthermore, the Group will keep monitoring its business scale and portfolio closely, focusing on putting resources into businesses with stronger profitability and better market prospects and proactively seeking for right opportunities for business restructuring and industrial upgrading to improve the overall sustainable profitability and bring long term contribution to shareholders of the Company.

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Director(s)") of the Company is pleased to announce the unaudited consolidated interim financial results of the Group for the six months ended 30 June 2014 together with the unaudited comparative figures for the corresponding period in 2013. The consolidated interim financial results have not been audited, but have been reviewed by the auditors of the Company, Ernst & Young, and the Company's audit committee (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	Six months ended 30 June 2014 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)
REVENUE	*4*	**1,015,241**	1,318,803
Cost of sales		**(896,864)**	(1,153,034)
Gross profit		**118,377**	165,769
Other income and gains	*4*	**13,802**	17,127
Selling and distribution expenses		**(22,078)**	(53,257)
Administrative expenses		**(34,982)**	(70,802)
Research and development expenses		**(13,253)**	(43,627)
Other expenses		**(6,950)**	(4,156)
Finance costs	*5*	**(25,390)**	(39,703)
PROFIT/(LOSS) BEFORE TAX	*6*	**29,526**	(28,649)
Income tax expense	*7*	**(6,037)**	(13,868)
PROFIT/(LOSS) FOR THE PERIOD		**23,489**	(42,517)
Attributable to:			
Owners of the parent		**23,929**	(42,163)
Non-controlling interests		**(440)**	(354)
		23,489	(42,517)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*9*	**RMB3.32 cents**	(RMB5.86 cents)
Diluted	*9*	**RMB3.32 cents**	(RMB5.86 cents)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	**23,489**	(42,517)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(259)**	(174)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**23,230**	(42,691)
Attributable to:		
Owners of the parent	**23,670**	(42,337)
Non-controlling interests	**(440)**	(354)
	23,230	(42,691)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**30 June 2014** *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**333,195**	429,220
Prepaid land lease payments		**96,078**	110,865
Goodwill		**61,146**	61,146
Other intangible assets		**140,527**	151,624
Available-for-sale investments		**15,000**	15,000
Deferred tax assets		**3,587**	3,274
Prepayments, deposits and other receivables		**9,779**	520
Prepayments for acquiring land use rights		**–**	10,087
Total non-current assets		**659,312**	781,736
CURRENT ASSETS			
Inventories		**118,953**	125,782
Trade and bills receivables	*10*	**1,339,557**	1,201,430
Prepayments, deposits and other receivables		**278,685**	230,189
Pledged bank deposits		**14,774**	16,064
Cash and cash equivalents		**77,275**	62,721
Total current assets		**1,829,244**	1,636,186
CURRENT LIABILITIES			
Trade and bills payables	*11*	**895,105**	704,176
Other payables and accruals		**143,522**	234,815
Interest-bearing bank and other borrowings		**563,292**	625,206
Tax payable		**35,189**	34,767
Total current liabilities		**1,637,108**	1,598,964

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
NET CURRENT ASSETS	**192,136**	37,222
TOTAL ASSETS LESS CURRENT LIABILITIES	**851,448**	818,958
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**7,137**	8,614
Government grants	**14,464**	14,727
Total non-current liabilities	**21,601**	23,341
Net assets	**829,847**	795,617
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**97,401**	97,401
Reserves	**723,899**	698,457
	821,300	795,858
Non-controlling interests	**8,547**	(241)
Total equity	**829,847**	795,617

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net cash flows from operating activities	**32,524**	44,581
Net cash flows from/(used in) investing activities	**43,347**	(55,112)
Net cash flows (used in)/from financing activities	**(61,425)**	22,577
NET INCREASE IN CASH AND CASH EQUIVALENTS	**14,446**	12,046
Cash and cash equivalents at beginning of period	**62,721**	144,082
Effect of foreign exchange rate changes, net	**108**	(762)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**77,275**	155,366

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 16 November 2007 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company acts as an investment holding company. The Group are mainly engaged in the manufacture and sales of power cord assembly, signal transmission wire and cable products, automotive wiring harness, telecommunication products and other related products and the provision of services for the construction of base station for telecommunication networks.

2.1 BUSINESS COMBINATIONS UNDER COMMON CONTROL AND BASIS OF PREPARATION

On 28 October 2012, the Company and Mr. Chi Shaolin ("Mr. Chi") entered into an agreement (as supplemented by a supplemental agreement) pursuant to which Mr. Chi conditionally agreed to sell the entire issued share capital of Rosy Sun Investments Limited, an investment holding company of a group of companies (collectively, the "Rosy Sun Group") and any loan owed by the Rosy Sun Group to Mr. Chi (the "Acquisition"). The Rosy Sun Group is principally engaged in (i) the research and development, manufacture and sale of cell phones which run on 2G, and/or 3G networks such as GSM, IS-95, CDMA2000 and TD-SCDMA in the People's Republic of China ("PRC"), which are reported in the "Terminals" segment; (ii) the sale of network equipment to major telecommunication services providers in the PRC, such as core network equipment, IPRAN and xPON, which are reported in the "Networks" segment; and (iii) the provision of services to major telecommunication services providers in the PRC, such as installation, maintenance and upgrade of network equipment and/or wireless network optimisation in their existing network systems, which are reported in the "Networks" segment. Details of the Acquisition were set out in the Company's announcement made on 30 October 2012 and circular dated 31 December 2012. The Acquisition was completed on 31 January 2013 with the total consideration satisfied by a promissory note issued by the Company to Mr. Chi.

The Rosy Sun Group was acquired by Mr. Chi from an independent third party on 13 June 2012 and had been controlled by Mr. Chi since 13 June 2012. As a result, the Directors consider that it should be a business combination under common control as the Company and the Rosy Sun Group were ultimately controlled by Mr. Chi both before and after the business combination, and that control was not transitory.

The Acquisition is regarded as a business combination under common control of the controlling shareholder of the Company (the "Controlling Shareholder") before and after the Acquisition. The condensed consolidated financial statements have been prepared using the pooling of interests method, as if the Acquisition had been completed on 13 June 2012 when Mr. Chi acquired and obtained control over Rosy Sun Investments Limited from an independent third party.

2.1 BUSINESS COMBINATIONS UNDER COMMON CONTROL AND BASIS OF PREPARATION (Continued)

The condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2013 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the dates when the subsidiaries first came under the common control of Mr. Chi, the Controlling Shareholder, where this is a shorter period. The condensed consolidated statement of financial position of the Group as at 31 December 2013 have been prepared to present the assets and liabilities of the Group using the existing carrying values from the Controlling Shareholder perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Acquisition.

These interim condensed consolidated financial statements of the Group for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These interim condensed consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these interim condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations).

These interim condensed consolidated financial statements do not include all information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2013.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations), which are set out below:

Amendments to IFRS 10, IFRS 12 and IAS 27	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets, Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*

The adoption of these new and revised IFRSs has had no significant effect on these condensed consolidated financial statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. The Group has three reportable operating segments and the corresponding items of segment information for the six months ended 30 June 2014 and 2013 are as follows:

	Six months ended 30 June 2014 (Unaudited)			
	Terminals *RMB'000*	**Networks** *RMB'000*	**Signal transmission and connectivity products** *RMB'000*	**Consolidated** *RMB'000*
Segment revenue	**135,761**	**525,144**	**354,336**	**1,015,241**
Segment results	**13,577**	**60,071**	**7,072**	**80,720**
Interest income				**351**
Finance costs				**(25,390)**
Corporate and other unallocated expenses				**(26,155)**
Profit before tax				**29,526**
Income tax expense				**(6,037)**
Profit for the period				**23,489**

	Six months ended 30 June 2013 (Unaudited)			
	Terminals *RMB'000*	Networks *RMB'000*	Signal transmission and connectivity products *RMB'000*	Consolidated *RMB'000*
Segment revenue	167,115	331,340	820,348	1,318,803
Segment results	19,099	53,747	(64,180)	8,666
Interest income				828
Unallocated administrative expenses				(16,318)
Other unallocated expenses				(15,502)
Finance costs				(6,323)
Loss before tax				(28,649)
Income tax expense				(13,868)
Loss for the period				(42,517)

Revenue reported in the above represents revenue generated from external customers. There were no inter-segment sales during the period.

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts and the value of services rendered during the period.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods and software products	**924,529**	1,281,405
Rendering of services	**90,712**	37,398
	1,015,241	1,318,803

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Bank and other interest income	**351**	1,486
Government grants released	**4,525**	4,499
Gain on disposals of subsidiaries	**1,813**	–
Discounted amount of other borrowings arising from the passage of time	**–**	7,522
Foreign exchange differences, net	**1,576**	1,244
Fair value gains, net		
Commodity derivative contracts and cancellable foreign currency forward swaps contracts	**–**	2,225
Commission and guarantee fee	**4,997**	–
Others	**540**	151
	13,802	17,127

5. FINANCE COSTS

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings wholly repayable within five years	**20,845**	30,234
Interest on promissory note	**–**	10,908
Guarantee fee	**4,545**	–
Less: interest capitalised	**–**	(1,439)
	25,390	39,703

6. **PROFIT/(LOSS) BEFORE TAX**

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold*	**895,826**	1,145,607
Depreciation	**12,553**	28,339
Amortisation of prepaid land lease payments	**1,129**	922
Amortisation of other intangible assets**	**11,075**	14,819
Impairment of property, plant and equipment	**3,681**	1,772
Impairment of trade and other receivables	**2,549**	106
Auditors' remuneration	**681**	575
Research and development expenses***	**13,253**	43,627
Government grants released****	**(4,525)**	(4,499)
Employee benefit expenses (including directors' and chief executive's remuneration)		
— Wages and salaries	**57,126**	158,464
— Equity-settled share option expense	**–**	186
— Pension scheme contributions	**4,525**	8,426
	61,651	167,076
Foreign exchange differences, net	**(1,576)**	(1,244)
Write-down of inventories to net realisable value	**3,622**	2,132
Loss on disposal of items of property, plant and equipment	**379**	1,687
Bank and other interest income	**(351)**	(1,486)
(Gains)/losses on disposals of subsidiaries	**(1,813)**	396

* Inclusive of write-down of inventories to net realisable value.

** Amortisation of other intangible assets is included in "Cost of sales", "Administrative expenses" and "Research and development expenses" in the condensed consolidated statement of profit or loss.

*** Inclusive of amortisation of other intangible assets.

**** During the reporting period, the Group received government grants for incentives for technology research and development and compensations for purchases of machinery used in the manufacture of terminals.

7. INCOME TAX

The statutory rate of 25% for the six months ended 30 June 2014 (six months ended 30 June 2013: 25%) represents the statutory tax rate in Mainland China as the Group's operations are conducted substantially in Mainland China throughout these years.

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30 June 2014 (six months ended 30 June 2013: 16.5%).

	Six months ended 30 June	
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current income tax — Hong Kong	**6,104**	–
Current income tax — PRC	**1,135**	8,148
Deferred income tax	**(1,202)**	5,720
Total tax charge for the period	**6,037**	13,868

The Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies within the Group are domiciled and operate.

Except for the following companies, the subsidiaries of the Company established in Mainland China are subject to corporate income tax ("CIT") at the statutory tax rate of 25% in the following periods:

	Six months ended 30 June	
Name of the subsidiary	**2014**	2013
威海市泓淋電子有限公司 ("威海電子") Weihai Honglin Electronic Co., Ltd.* ("Weihai Electronic")	**15.0%**	15.0%
瀋陽新郵通信設備有限公司 ("瀋陽新郵") Shenyang New Postcom Co., Ltd.* ("Shenyang Company")	**15.0%**	15.0%

* *The English names are for identification purposes only.*

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2014, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2013: Nil).

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the consolidated profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 720,000,000 (six months ended 30 June 2013: 720,000,000) in issue during the period.

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
Consolidated profit/(loss) attributable to ordinary equity holders of the parent *(RMB'000)*	**23,929**	(42,163)
Weighted average number of ordinary shares in issue *('000)*	**720,000**	720,000
Earnings/(loss) per share:		
Basic and diluted	**RMB3.32 cents**	(RMB5.86 cents)

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as there were no potentially dilutive shares in existence during the six months ended 30 June 2014 and 30 June 2013.

10. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2014	2013
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**1,300,190**	1,148,226
Impairment	**(5,760)**	(3,125)
Trade receivables, net	**1,294,430**	1,145,101
Bills receivable	**45,127**	56,329
	1,339,557	1,201,430

10. TRADE AND BILLS RECEIVABLES (Continued)

Trade receivables of the Group represented proceeds receivable from the sale of goods and rendering of services. The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance is normally required. The credit term generally ranges from 15 to 180 days, and a longer credit term will be granted to certain major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control management system to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned, as at 30 June 2014, except for amounts due from two customers respectively exceeded 10% of the Group's total trade and bills receivables, the remaining balances of the trade receivables are related to a large number of diversified customers. Trade receivables are interest-free and unsecured.

An aged analysis of the trade receivables of the Group as at the end of the reporting period, based on the transaction date and net of provision, is as follows:

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Within 3 months	**731,892**	750,984
3 to 6 months	**100,465**	57,747
6 to 12 months	**262,399**	171,103
1 to 2 years	**76,624**	51,987
Over 2 years	**123,050**	113,280
	1,294,430	1,145,101

The movements in provision for impairment of trade receivables are as follows:

	30 June 2014 *RMB'000* **(Unaudited)**	31 December 2013 *RMB'000* (Audited)
Opening balance	**3,125**	4,419
Provision for impairment losses	**2,635**	1,539
Written off	**–**	(2,833)
Closing balance	**5,760**	3,125

The maturity profile of the bills receivable of the Group as at the end of the reporting period is as follows:

	30 June 2014 *RMB'000* (Unaudited)	31 December 2013 *RMB'000* (Audited)
Within 3 months	**21,437**	32,518
Over 3 months but within 6 months	**23,690**	23,811
	45,127	56,329

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade payables of the Group, based on the transaction date, as at the end of the reporting period is as follows:

	30 June 2014 *RMB'000* (Unaudited)	31 December 2013 *RMB'000* (Audited)
Within 3 months	**684,621**	379,234
3 to 12 months	**93,752**	221,139
1 to 2 years	**54,453**	37,548
Over 2 years	**30,751**	21,412
	863,577	659,333

The Group normally obtains credit terms ranging from 1 to 3 months from its suppliers. The trade payables related to telecommunication equipment purchased are to be paid to the suppliers with final inspection dates ranging from 1 to 2 years. Trade payables are unsecured and interest-free.

Included in the trade and bills payables are trade payables of approximately RMB36,019,000 (2013: approximately RMB44,057,000) due to related parties of the Group which are repayable on credit terms similar to those offered by related parties to their major customers.

An aged analysis of the bills payable of the Group, based on the issuance date, as at the end of the reporting period is as follows:

	30 June 2014 *RMB'000* (Unaudited)	31 December 2013 *RMB'000* (Audited)
Within 3 months	**15,235**	40,013
3 to 6 months	**16,293**	4,830
	31,528	44,843

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

	Six months ended 30 June				
	2014		2013		
	Revenue *RMB'000*	**% of revenue (approximate)**	Revenue *RMB'000*	% of revenue (approximate)	Change in % (approximate)
Networks	**525,144**	**51.7**	331,340	25.1	58.5
Signal transmission and connectivity products	**354,336**	**34.9**	820,348	62.2	(56.8)
Terminals	**135,761**	**13.4**	167,115	12.7	(18.8)
Total	**1,015,241**	**100.0**	1,318,803	100.0	(23.0)

The Group recorded total revenue of approximately RMB1,015.2 million for the six months ended 30 June 2014, representing a decrease of approximately RMB303.6 million, or approximately 23.0% as compared to revenue of approximately RMB1,318.8 million for the six months ended 30 June 2013. The decrease was mainly attributable to that (i) Sumptuous Wealth ceased to contribute to the Group after the disposal of it (as compared to its contribution to the revenue of approximately RMB498.1 million during the six months ended 30 June 2013); and (ii) revenue from terminals segment decreased by approximately RMB31.4 million, or approximately 18.8%. Nevertheless, networks segment recorded rapid growth of approximately RMB193.8 million, or approximately 58.5% and revenue from signal transmission and connectivity products segment increased by approximately RMB32.1 million, or approximately 10.0% as compared to that (other than the part attributable to Sumptuous Wealth) for the six months ended 30 June 2013.

Networks

Revenue generated from networks segment increased by approximately 58.5% as compared to the corresponding period in 2013 to approximately RMB525.1 million due to the Group's ability to continuously obtain more orders from both existing and new customers relying on endeavors made by the Group on both R&D and marketing, especially on expanding to markets outside Mainland China.

Signal Transmission and Connectivity Products

The signal transmission and connectivity products segment recorded revenue of approximately RMB354.3 million, representing a decrease of approximately 56.8% as compared to the revenue of approximately RMB820.3 million for the six months ended 30 June 2013, which was mainly attributable to (i) the external and internal signal cable assembly products, connectors, antennas and a major part of wire and cable products had ceased to contribute to the revenue of the Group upon completion of the disposal of Sumptuous Wealth; and (ii) increasing orders and market shares from both existing and new customers of power cord assembly and automotive wiring harness.

Terminals

Revenue from terminals segment decreased by approximately 18.8% as compared to the corresponding period in 2013 to approximately RMB135.8 million, mainly as a result of reduction of procurement from customers in the first half of 2014.

FINANCIAL REVIEW

Cost of Sales

The following table sets forth a breakdown of our cost of sales for the period indicated:

	Six months ended 30 June				
	2014		2013		
		% of total cost of sales		% of total cost of sales	Change in %
	RMB'000	**(approximate)**	*RMB'000*	(approximate)	(approximate)
Raw material costs	**767,251**	**85.5**	917,344	79.6	(16.4)
Utilities	**5,511**	**0.6**	13,495	1.2	(59.2)
Depreciation	**9,389**	**1.1**	16,938	1.5	(44.6)
Labor cost	**34,452**	**3.8**	122,561	10.6	(71.9)
Outsourcing costs	**68,828**	**7.7**	64,448	5.6	6.8
Others	**11,433**	**1.3**	18,248	1.5	(37.3)
Total	**896,864**	**100.0**	1,153,034	100.0	(22.2)

Cost of sales decreased by approximately RMB256.2 million for the six months ended 30 June 2014, or approximately 22.2%, as compared to the corresponding period in 2013 to approximately RMB896.9 million. The decrease was basically in line with the decrease in revenue and was mainly attributable to the disposal of Sumptuous Wealth, which lead to the decline in almost every aspects comprising the cost of sales except the outsourcing costs. Increase in outsourcing costs was mainly as a result of significant increase in sales from networks segment, the products from which were independently researched and developed by the Group and outsourcing produced.

Gross Profit and Margin

The Group's gross profit for the six months ended 30 June 2014 amounted to approximately RMB118.4 million, representing a decrease of approximately 28.6% as compared to that for the six months ended 30 June 2013. The decrease was mainly attributable to: (i) decrease of approximately RMB63.2 million caused by the disposal of Sumptuous Wealth; and (ii) gross profit of terminals segment decreased by approximately RMB8.5 million, or approximately 39.1%. Nevertheless, the decrease was partially offset by (i) gross profit from networks segment increased by approximately RMB13.5 million, or approximately 31.1%; and (ii) gross profit from the signal transmission and connectivity products segment increased by approximately RMB10.8 million, or approximately 28.7% as compared to that (other than the part attributable to Sumptuous Wealth) for the six months ended 30 June 2013.

	Six months ended 30 June				
	2014		**2013**		
	Gross profit *RMB'000*	**Gross profit margin (%) (approximate)**	Gross profit *RMB'000*	Gross profit margin (%) (approximate)	Change in % (approximate)
Networks	**56,937**	**10.8**	43,440	13.1	31.1
Signal transmission and connectivity products	**48,208**	**13.6**	100,614	12.3	(52.1)
Terminals	**13,232**	**9.7**	21,715	13.0	(39.1)
Total	**118,377**	**11.7**	165,769	12.6	(28.6)

Gross profit margin declined to approximately 11.7% for the six months ended 30 June 2014 from approximately 12.6% for the six months ended 30 June 2013. The decrease was mainly attributable to the rising proportion of networks segment with relatively lower gross profit margin in the first half of 2014 as compared to the corresponding period in 2013 due to the fierce competition.

Other Income and Gains

The Company recorded other gains of approximately RMB13.8 million for the six months ended 30 June 2014, including, among others, (i) government grants of approximately RMB4.5 million; (ii) commission and guarantee fee income of approximately RMB5.0 million charged to Jia Ya Developments Limited and its subsidiaries according to the commission agreement and the cross guarantee agreement between the Group and Jia Ya Developments Limited and its subsidiaries approved by the independent shareholders of the Company on 26 November 2013 after completion of the disposal of Sumptuous Wealth; and (iii) gains on disposals of interests of subsidiaries of the Company of approximately RMB1.8 million.

Other Expenses

Other expenses of the Group amounted to approximately RMB7.0 million, which was mainly attributable to (i) the impairment loss of approximately RMB3.7 million recognised in respect of property, plant and equipment in 惠州市泓淋通訊科技有限公司 (Huizhou Honglin Communication Company Limited*, "Huizhou Communication") which was disposed of by the Group on 27 May 2014; and (ii) impairment loss of approximately RMB2.5 million recognised in respect of trade and other receivables.

* *for identification purpose only*

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately RMB31.2 million for the six months ended 30 June 2014, or approximately 58.5%, as compared to the corresponding period in 2013, which was primarily due to the significant decrease in transportation expenses, staff costs, entertainment expenses and other expenses in signal transmission and connectivity products segment as a result of the disposal of Sumptuous Wealth.

Administrative Expenses

Administrative expenses decreased by approximately RMB35.8 million for the six months ended 30 June 2014, or approximately 50.6%, as compared to the corresponding period in 2013. The decrease was mainly attributable to the disposal of Sumptuous Wealth.

Research and Development Expenses

Research and development expenses decreased by approximately RMB30.4 million for the six months ended 30 June 2014, or approximately 69.6%, as compared to the corresponding period in 2013. This decline was primarily attributable to decrease in staff costs, depreciation costs, material costs and other expenses from signal transmission and connectivity products segment as a result of the disposal of Sumptuous Wealth. However, this reduction was partially net off by the increased investments in the R&D activities in networks and terminals segments.

Finance Costs

Finance costs decreased by approximately RMB14.3 million for the six months ended 30 June 2014, or approximately 36.1%, as compared to the corresponding period in 2013. It was mainly due to (i) the decrease in bank interest expenses of approximately RMB9.4 million as a result of the disposal of Sumptuous Wealth; (ii) nominal interest amortisation on promissory note issued by the Company to Mr. Chi on 31 January 2013 of approximately RMB10.9 million in the first half of 2013, while no such expenses were recorded in the first half of 2014 since the promissory note was settled on 26 November 2013 to offset the consideration of the disposal of Sumptuous Wealth; and (iii) increase in guarantee fee of approximately RMB4.5 million charged by Jia Ya Developments Limited and its subsidiaries according to the cross guarantee agreement between the Group and Jia Ya Developments Limited and its subsidiaries which was approved by the independent shareholders of the Company on 26 November 2013 after completion of the disposal of Sumptuous Wealth.

Income Tax Expense

The Group incurred income tax expense of approximately RMB6.0 million for the six months ended 30 June 2014 due to (i) the current PRC Enterprise Income Tax and Hong Kong profit tax occurred from the networks and terminals segments of approximately RMB7.2 million; and (ii) deferred tax of approximately RMB1.2 million. On an overall basis, the Group's effective tax rate in the first half of 2014 was 20.4%, contrasting to -48.4% in the first half of 2013.

Profit for the Period

The Group's net profit amounted to approximately RMB23.5 million for the six months ended 30 June 2014 as compared to the net loss of approximately RMB42.5 million for the six months ended 30 June 2013, which is mainly attributable to (i) the profit from the terminal and network businesses of the Group; (ii) the significant reduction in operating costs mainly as a result of the disposal of most of its loss-making businesses by the Group during the second half of 2013; and (iii) the gains on disposals of the interests of certain subsidiaries of the Company during the first half of 2014.

Liquidity and Financial Resources

The Group continues to implement prudent financial management policies and maintains a reasonable gearing ratio during its operation. As at 30 June 2014, the Group's gearing ratio (measured by total short-term borrowings as a percentage of total assets of the Group) was approximately 22.6% (31 December 2013: 25.9%).

As at 30 June 2014, interest-bearing bank and other borrowings of the Group amounted to approximately RMB563.3 million (31 December 2013: approximately RMB625.2 million). These loans carried interests at floating or fixed rates. For the total bank and other borrowings of approximately RMB563.3 million, approximately RMB141.2 million was secured loans.

The decrease in interest-bearing bank and other borrowings of approximately RMB61.9 million was mainly attributable to some bank borrowings matured and the Group did not renew the borrowings.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have outstanding at the close of business on 30 June 2014, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 30 June 2014 and up to the date of this announcement.

Foreign Currency Risk

As certain of the Group's trade and other receivables, trade and other payables and bank borrowings of the Group are denominated in foreign currency, exposure to exchange rate fluctuation arises. The Group has the relevant policy to monitor the risk associated with the fluctuation of foreign currency and control such risk if necessary.

Working Capital

Inventories balance as at 30 June 2014 was approximately RMB119.0 million (31 December 2013: approximately RMB125.8 million). The average turnover days for inventories were 25 days as at 30 June 2014 as compared to 57 days as at 30 June 2013, which was mainly as a result of the relatively high inventory turnover rate of the network and terminal businesses.

Trade and bills receivables balance as at 30 June 2014 was approximately RMB1,339.6 million (31 December 2013: approximately RMB1,201.4 million). The increase in trade and bills receivables balance was mainly due to increase in sales and business scope in networks segment. The average turnover days for trade and bills receivables were 227 days as at 30 June 2014 as compared to 183 days as at 30 June 2013, the increase of turnover days was mainly attributable to the rising proportion of network business which had relatively long credit period.

Trade and bills payables balance as at 30 June 2014 was approximately RMB895.1 million (31 December 2013: approximately RMB704.2 million). The increase in trade and bills payables balance was mainly due to increase in purchases and business scope in networks segment. The average turnover days for trade and bills payables were 162 days as at 30 June 2014 as compared to 110 days as at 30 June 2013, the increase of turnover days was mainly due to the rising proportion of network business which was outsourcing produced and had relatively long payable credit period.

The Group's cash conversion cycle for the six months ended 30 June 2014 was 90 days as compared to 130 days for the six months ended 30 June 2013.

Cash Flows

Net cash from operating activities for the six months ended 30 June 2014 was approximately RMB32.5 million, representing a decrease of approximately RMB12.1 million as compared to that for the six months ended 30 June 2013. The decrease in operating cash flows were primarily in line with decrease in business scale caused by the disposal of Sumptuous Wealth.

Net cash from investing activities for the six months ended 30 June 2014 was approximately RMB43.3 million, which was primarily attributable to cash inflows from disposals of equity interests of subsidiaries of the Company.

Net cash used in financing activities for the the six months ended 30 June 2014 was approximately RMB61.4 million, which was primarily attributable to repayment of bank borrowings by Weihai Electronic, an indirect wholly-owned subsidiary of the Company.

Capital Expenditure

For the six months ended 30 June 2014, the Group incurred total capital expenditures of approximately RMB19.9 million in the purchase of property, plant and equipment and prepayments for acquiring intangible assets. For the six months ended 30 June 2013, the Group incurred total expenditure of approximately RMB61.7 million in construction of new factories, research and development center, the purchase of land, plant and machinery, equipment and computer system.

Capital Commitments

As at 30 June 2014, the Group had capital commitments of approximately RMB0.2 million in respect of acquisition of property, plant and equipment (as at 31 December 2013: approximately RMB25.8 million). The decrease in the capital commitments was mainly attributable to the disposal of Huizhou base which is under construction by the Group on 27 May 2014.

Contingent Liabilities

As at 30 June 2014, the Group had contingent liabilities of approximately RMB437.1 million (31 December 2013: approximately RMB403.2 million) arising from the guarantees on banking facilities provided to related companies. A subsidiary of the Group is currently a defendant in a lawsuit in relation to a commissioned development contract in software of handset. Since the litigation is likely to continue for a considerable period of time and the Board believes that the outcome of this claim cannot be reliably estimated, only the related legal and other costs have been provided.

Employees

As at 30 June 2014, the Group had a total of 3,145 staff, of which 1,339 were the Group's direct employees (30 June 2013: 3,784) and 1,209 were contract workers (30 June 2013: 5026). As at 30 June 2014, the Group also had 597 part-time interns (30 June 2013:1258). All contract workers and part-time interns were mainly deployed in production, the breakdown of direct employees as at 30 June 2014 is as follows:

	As at 30 June 2014	As at 30 June 2013
Manufacturing	**460**	1,342
Sales and marketing	**289**	658
General and administration	**362**	851
Research and Development	**129**	315
Quality control	**99**	618
Total	**1,339**	3,784

The significant decrease in the number of employee as at 30 June 2014 as compared with that as at 30 June 2013 was mainly due to the disposal of Sumptuous Wealth.

Use of Proceeds Raised from the Global Offering

The net proceeds from the global offering of the Company, after deducting the relevant cost, were approximately HK$470.3 million (equivalent to approximately RMB400.7 million). As at 30 June 2014, the Company utilised the proceeds of approximately RMB385.4 million and the use of proceeds was in line with the disclosure in the prospectus of the Company and in the announcement made by the Company dated 21 February 2014.

As at 30 June 2014, proceeds used according to the revised plan in the announcement made by the Company dated 21 February 2014 are generally analysed as follows:

Projects	Accumulated use of proceeds Estimated amount *RMB(million)*	Accumulated Expenses *RMB(million)*
Expansion of domestic and international markets on the Group's original products	**13.6**	**7.5**
Research and development investments	**20.0**	**10.8**
General working capital and other general corporate purposes	**35.0**	**35.0**
Total	**68.6**	**53.3**

DISPOSAL OF WUHAN TECHNOLOGY

On 10 January 2014, Weihai Electronic entered into a disposal agreement with, among others, 武漢亞光新民防火裝飾材料有限公司(Wuhan Yaguang Xinmin Fire Prevention Decoration Materials Company Limited*, "Wuhan Yaguang Xinmin"). Pursuant to this disposal agreement, Weihai Electronic agreed to dispose of and Wuhan Yaguang Xinmin agreed to purchase 10% equity interest in 武漢市泓淋科技有限公司 (Wuhan Honglin Technology Company Limited*, "Wuhan Technology") at the consideration of RMB5,201,729.34 (equivalent to approximately HK$6.2 million). In this disposal agreement, 湖北康普斯醫療科技有限公司 (Hubei Kangpusi Medical Technology Company Limited*, "Hubei Kangpusi") served as the guarantor to Wuhan Yaguang Xinmin.

On the same day, Weihai Electronic entered into another disposal agreement with, among others, Hubei Kangpusi. Pursuant to this disposal agreement, Weihai Electronic agreed to dispose of and Hubei Kangpusi agreed to purchase 90% equity interest in Wuhan Technology at the consideration of RMB46,815,564.09 (equivalent to approximately HK$56.2 million). In this disposal agreement, Wuhan Yaguang Xinmin served as the guarantor to Hubei Kangpusi.

Wuhan Technology is a company established in the PRC with limited liability by Weihai Electronic on 24 February 2011. It had not commenced any substantive business operation and had not gained any revenue since its establishment up to the date of the disposal agreements.

Details of the disposal of Wuhan Technology have been set out in the announcement dated 10 January 2014 published by the Company.

* *For identification purpose only*

DISPOSAL OF RITUO TECHNOLOGY

On 27 April 2014, 德州錦城電裝有限公司 (Dezhou Jincheng Electronic Company Limited*, "Dezhou Jincheng", an indirect wholly-owned subsidiary of the Company) entered into a disposal agreement with 威海市東晨塑膠新材料有限公司 (Weihai Dongchen Plastics New Materials Limited*, "Weihai Dongchen"), which is a third party to the Company as at the date of the disposal, to dispose of the total equity interests in 天津市日拓高科技有限公司 (Tianjin Rituo High Technology Company Limited*, "Rituo Technology") at nil consideration which was determined by considering the net assets of Rituo Technology evaluated by an independent valuer.

The disposal does not constitute a discloseable transaction according to Chapter 14 or a connected transaction according to Chapter 14A of the Listing Rules on the Stock Exchange.

DISPOSAL OF HUIZHOU COMMUNICATION

On 27 May 2014, 威海市明博綫纜科技有限公司 (Waihai Mingbo Wire & Cable Technology Company Limited*) entered into a disposal agreement with 威海鵬威勞務派遣有限公司 (Weihai Pengwei Labor Dispatchment Company Limited*) to dispose of the entire equity interests in Huizhou Communication to an independent third party at a cash consideration of RMB8,009,000 (equivalent to approximately HK$9.6 million) which was determined by considering the net assets of Huizhou Communication evaluated by an independent valuer. The Board considers this disposal will increase the liquidity of the Group.

The disposal does not constitute discloseable transaction according to Chapter 14 or a connected transaction according to Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION-DISPOSAL OF 20% EQUITY INTERESTS IN DEZHOU JINCHENG

On 27 June 2014, Weihai Electronic entered into an sale and purchase agreement for the sale and purchase of 20% equity interest in Dezhou Jincheng with 威海天成經濟信息諮詢有限公司 (Weihai Tiancheng Economic Information Consultancy Company Limited*, "Weihai Tiancheng") at a cash consideration of RMB10,000,000 (equivalent to approximately HK$12.0 million) (the "S&P Agreement").

Dezhou Jincheng is a company established in the PRC with limited liability by Weihai Electronic as its directly wholly-owned subsidiary on 25 January 2013 and mainly engaged in the development, consultancy and service of electronic and information technology and related products, production and sale of automotive electronic equipment and harness.

* *For identification purpose only*

Weihai Tiancheng is ultimately and wholly-owned by Mr. Li Jianming ("Mr. Li") and his family member. Mr. Li was an executive Director within the preceding 12 months of the date of the S&P Agreement. Weihai Tiancheng is therefore regarded as an associate of Mr. Li, and therefore a connected person of the Group, according to Chapter 14A of the Listing Rules. The transaction contemplated under the S&P Agreement is a connected transaction to the Company and is subject to reporting and announcement requirements but exempted from independent shareholder's approval.

Details of such disposal of 20% equity interest in Dehou Jincheng have been set out in the announcements dated 27 June 2014 and 30 June 2014 made by the Company.

CHANGE IN SHAREHOLDING IN CHENLIN INTERNATIONAL

On 8 April 2014, Chenlin International Joint Stock Company Limited ("Chenlin International", a company whose entire issued share capital is owned by Mr. Chi), a Controlling Shareholder, informed the Board that it entered into a placing agreement on 8 April 2014 with Astrum Capital Management Limited (the "Placing Agent"), pursuant to which Chenlin International agreed to sell, and the Placing Agent agreed to, on a best effort basis, procure not less than six placees, each of whom shall be independent of and not connected with the Company or any of its connected persons, to acquire a maximum of 197,283,839 shares in the total issued share capital of the Company at the placing price of HK$0.82 per share (the "Placing"). The Placing was completed on 14 April 2014, and 107,283,000 shares (representing approximately 14.9% of the total issued share capital of the Company) had been placed. Chenlin International was interested in approximately 26.0% of the total issued share capital of the Company after the completion of the Placing.

The Board has been informed by Chenlin International on 5 June 2014, after trading hours, it entered into a sale and purchase agreement to dispose of 90,000,000 shares of the Company, representing 12.5% of the total issued share capital of the Company, to Castle Gate Ventures Limited ("Castle Gate"), the entire issued share capital of which is owned by Mr. Cheng Wen (who is an executive Director and a vice CEO of the Company), at the consideration of HK$73,800,000 (i.e. HK$0.82 per share of the Company). Immediately following completion of the above transaction, the shareholding of the Company held by Chenlin International decreased to approximately 13.5% and Castle Gate has become a substantial shareholder of the Company holding 12.5% of the total issued share capital of the Company.

Please also refer to the announcements of the Company dated 8 April 2014, 14 April 2014 and 5 June 2014, respectively, for further details.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2014, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating the elements of good corporate governance into the management structures and internal control procedures of the Group so as to achieve effective accountability to the shareholders of the Company as a whole. The Board strived to uphold good corporate governance and adopt sound corporate governance practices continuously in the interest of shareholders of the Company to enhance the overall performance of the Company. The principles and the code provisions of the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules have been adopted by the Company. The Company had also complied with the CG Code throughout the six months ended 30 June 2014 except for the following deviation:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman of the Board and chief executive officer ("CEO"). For the six months ended 30 June 2014, Mr. Chi is both the chairman of the Board and the CEO of the Group. The Board considers that vesting the roles of chairman of the Board and CEO in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of CEO when necessary.

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. As at the date of this announcement, the Audit Committee consists of three members, namely, Mr. Thomas Tam, Mr. Pao Ping Wing and Ms. Zheng Lin, all of whom are independent non-executive Directors. Mr. Thomas Tam currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the Listing Rules and the CG Code. During the six months ended 30 June 2014 under review, the Audit Committee has convened one meeting with an attendance of 100%.

The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed about the auditing, internal controls, and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 and this announcement.

The financial results for the six months ended 30 June 2014 have not been audited. The external auditors, Ernst & Young, has reviewed the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTION BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding the Directors' securities transactions during the six months ended 30 June 2014.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company's issued shares as required under the Listing Rules during the six months ended 30 June 2014.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2014 containing all the applicable information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.hong-lin.com.cn) in due course. Printed copies will be despatched to shareholders of the Company in due course.

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

Hong Kong, 27 August 2014

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