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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

2014 FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2014	2013
	RMB'000	*RMB'000*
Revenue	**2,096,768**	2,712,525
Gross profit	**271,404**	358,043
Profit/(loss) before tax	**63,906**	(155,191)
Profit/(loss) for the year	**47,789**	(180,211)
Profit/(loss) attributable to:		
— Owners of the parent	**49,382**	(177,510)
— Non-controlling interests	**(1,593)**	(2,701)
Earnings/(loss) per share		
— Basic and diluted (RMB cents)	**6.86**	(24.65)

* *For identification purposes only*

- The Group recorded a total revenue of approximately RMB2,096.8 million for the year ended 31 December 2014, representing a decrease of approximately RMB615.8 million, or approximately 22.7% as compared to the revenue of approximately RMB2,712.5 million for the year ended 31 December 2013.
- The Group's net profit amounted to 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.
- Basic earnings per share was RMB6.86 cents for the year ended 31 December 2014.

The board (the "Board") of directors (the "Directors") of HL Technology Group Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2014, together with comparative figures for the year ended 31 December 2013. The consolidated results of the Group for the year ended 31 December 2014 have been reviewed by the Company's audit committee (the "Audit Committee").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

	Notes	2014 RMB'000	2013 RMB'000
CONTINUING OPERATIONS			
Revenue	4	**2,096,768**	2,712,525
Cost of sales		**(1,825,364)**	(2,354,482)
Gross profit		**271,404**	358,043
Other income and gains	4	**23,581**	21,083
Selling and distribution expenses		**(41,649)**	(110,871)
Administrative expenses		**(81,428)**	(154,813)
Research and development expenses		**(32,678)**	(92,673)
Other expenses		**(22,659)**	(24,890)
Finance costs	5	**(52,665)**	(150,551)
Share of loss of an associate		**–**	(270)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	6	**63,906**	(154,942)
Income tax expense	7	**(16,117)**	(25,020)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**47,789**	(179,962)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation		**–**	(249)
PROFIT/(LOSS) FOR THE YEAR		**47,789**	(180,211)
Attributable to:			
Owners of the parent		**49,382**	(177,510)
Non-controlling interests		**(1,593)**	(2,701)
		47,789	(180,211)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
— For profit/(loss) for the year		**RMB6.86 cents**	(RMB24.65 cents)
— For profit/(loss) from continuing operations		**RMB6.86 cents**	(RMB24.64 cents)
Diluted			
— For profit/(loss) for the year		**RMB6.86 cents**	(RMB24.65 cents)
— For profit/(loss) from continuing operations		**RMB6.86 cents**	(RMB24.64 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December

	2014	2013
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**47,789**	(180,211)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(18)**	(246)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**47,771**	(180,457)
Attributable to:		
Owners of the parent	**49,364**	(177,761)
Non-controlling interests	**(1,593)**	(2,696)
	47,771	(180,457)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2014**	2013
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**315,009**	429,220
Prepaid land lease payments		**101,447**	110,865
Goodwill		**61,146**	61,146
Other intangible assets		**130,734**	151,624
Available-for-sale investments		**15,000**	15,000
Deferred tax assets		**7,249**	3,274
Prepayments for acquiring property, plant and equipment		**593**	520
Prepayments for acquiring land use right		**–**	10,087
Total non-current assets		**631,178**	781,736
CURRENT ASSETS			
Inventories		**145,382**	125,782
Trade and bills receivables	*10*	**1,260,905**	1,201,430
Prepayments, deposits and other receivables	*11*	**198,485**	230,189
Pledged deposits		**23,985**	16,064
Cash and cash equivalents		**169,950**	62,721
Total current assets		**1,798,707**	1,636,186
CURRENT LIABILITIES			
Trade and bills payables	*12*	**867,044**	704,176
Other payables and accruals	*13*	**147,876**	234,815
Interest-bearing bank and other borrowings		**489,421**	625,206
Tax payable		**45,349**	34,767
Total current liabilities		**1,549,690**	1,598,964
NET CURRENT ASSETS		**249,017**	37,222
TOTAL ASSETS LESS CURRENT LIABILITIES		**880,195**	818,958

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	2014	2013
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**10,607**	8,614
Government grants	**14,200**	14,727
Total non-current liabilities	**24,807**	23,341
NET ASSETS	**855,388**	795,617
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**97,401**	97,401
Reserves	**749,593**	698,457
	846,994	795,858
Non-controlling interests	**8,394**	(241)
Total equity	**855,388**	795,617

NOTES TO 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 is mainly engaged in the manufacture and sale of power cord assembly, signal transmission wire and cable products, automotive wiring harness, telecommunications products and other products and the provision of services for the construction of base station for telecommunications 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 "Rosy Sun Acquisition"). The Rosy Sun Group is principally engaged in (i) the research and development ("R&D"), 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"); (ii) the sale of network equipment to major telecommunications services providers in the PRC, such as IPRAN and xPON and providing private network solutions; and (iii) the provision of services to major telecommunications services providers in the PRC, such as installation, maintenance and upgrade of network equipment and/or wireless network optimisation in their existing network systems. Details of the Rosy Sun Acquisition were set out in the Company's announcement made on 30 October 2012 and circular dated 31 December 2012. The Rosy Sun 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. 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 immediately before and after the business combination, and that control was not transitory.

The Rosy Sun Acquisition is regarded as a business combination under common control of Mr. Chi, the then controlling shareholder of the Company before and after the Rosy Sun Acquisition. The consolidated financial statements have been prepared using the pooling of interests method, as if the Rosy Sun 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.

The consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 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, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2014 and 2013 have been prepared to present the assets and liabilities of the Group using the existing carrying values from Mr. Chi's perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Rosy Sun Acquisition.

These annual consolidated financial statements of the Group for the year ended 31 December 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 the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board. These annual 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 annual 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 IFRSs (which also include International Accounting Standards ("IASs") and Interpretations).

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following standards and new interpretation for the first time for the current year's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 (2011)	*Investment Entities*
Amendments to IAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to IAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
IFRIC 21	*Levies*
Amendment to IFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to IFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to IFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to IFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective IFRSs*

[1] Effective from 1 July 2014

Except for the amendment to IFRS 1 which is only relevant to an entity's first IFRS financial statements, the nature and the impact of each amendment and interpretation is described below:

The principal effects of adopting these new and revised IFRSs are as follows:

(a) Amendments to IFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (2011). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in IFRS 10.

(b) The IAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in IAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The IAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(d) IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognised before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of IFRIC 21.

(e) The IFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(f) The IFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 or IAS 39. The amendment has had no impact on the Group.

(g) The IFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED IFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

IFRS 9	*Financial Instruments*[4]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
IFRS 14	*Regulatory Deferral Accounts*[5]
IFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to IAS 1	*Disclosure Initiative*[2]
Amendments to IFRS 10, IFRS 12 and IAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants*[2]
Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to IAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements *2010-2012 Cycle*	*Amendments to a number of IFRSs*[1]
Annual Improvements *2011-2013 Cycle*	*Amendments to a number of IFRSs*[1]
Annual Improvements *2012-2014 Cycle*	*Amendments to a number of IFRSs*[2]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2017
4 Effective for annual periods beginning on or after 1 January 2018
5 Effective for an entity that first adopts IFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

Further information about those IFRSs that are expected to be applicable to the Group is as follows;

In July 2014, the IASB issued the final version of IFRS 9, bringing together all phases of the financial instruments project to replace IAS 39 and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt IFRS 9 from 1 January 2018. The Group expects that the adoption of IFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to IFRS 10 and IAS 28 (2011) address an inconsistency between the requirements in IFRS 10 and in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to IFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in IFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

IFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under IFRSs. The Group expects to adopt IFRS 15 on 1 January 2017 and is currently assessing the impact of IFRS 15 upon adoption.

Amendments to IAS 16 and IAS 38 clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

The *Annual Improvements to IFRSs 2010-2012 Cycle* issued in December 2013 sets out amendments to a number of IFRSs. Except for those described in note 2.2, the Group expects to adopt the amendments from 1 January 2015. None of the amendments are expected to have a significant financial impact on the Group. Details of the amendment most applicable to the Group are as follows:

IFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the second half of the current year, the Group underwent a business restructuring and gradually transformed its operation model to R&D and sales and marketing oriented. Up to 31 December 2014, the Group substantially completed the business restructuring and changed the structure of the internal organisation in a manner that caused the composition of its reportable segments to change. Based on the new internal organisation as a result of the business restructuring, the Group has two reportable operating segments and the corresponding items of segment information for the year ended 31 December 2013 have been restated for presentation on the same basis. The two reportable segments are set out as follows:

(a) 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, Mobile Internet terminals.

(b) The signal transmission and connectivity products segment engages in the manufacture and sale of power cord assembly, signal transmission wire and cable products, automotive wiring harness and other products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax from continuing operations. The adjusted profit/(loss) before tax from continuing operations is measured consistently with the Group's profit/(loss) before tax from continuing operations except that interest income, finance costs, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude available-for-sale investments, deferred tax assets, cash and cash equivalents and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred tax liabilities, interest-bearing bank and other borrowings, tax payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2014

	Communication system *RMB'000*	Signal trans-mission and connectivity products *RMB'000*	Total *RMB'000*
Segment revenue	**1,393,914**	**702,854**	**2,096,768**
Segment results	**108,304**	**8,243**	**116,547**
Reconciliation:			
Interest income			**2,888**
Finance costs			**(52,665)**
Corporate and other unallocated expenses			**(2,864)**
Profit before tax from continuing operations			**63,906**
Segment assets	**1,400,174**	**837,097**	**2,237,271**
Reconciliation:			
Corporate and other unallocated assets			**192,614**
Total assets			**2,429,885**
Segment liabilities	**866,788**	**201,262**	**1,068,050**
Reconciliation:			
Corporate and other unallocated liabilities			**506,447**
Total liabilities			**1,574,497**
Other segment information:			
Impairment losses recognised in the statement of profit or loss	**13,198**	**16,835**	**30,033**
Depreciation and amortisation	**24,119**	**31,865**	**55,984**
Capital expenditure	**11,891**	**25,263**	**37,154**
Other non-cash expenses	**–**	**1,056**	**1,056**

Year ended 31 December 2013

	Communication systems *RMB'000* (Restated)	Signal trans-mission and connectivity products *RMB'000*	Total *RMB'000*
Segment revenue	1,046,991	1,665,534	2,712,525
Segment results	99,343	(110,294)	(10,951)
Reconciliation:			
Interest income			4,173
Finance costs			(150,551)
Corporate and other unallocated expenses			2,387
Profix before tax from continuing operations			(154,942)
Segment assets	1,372,075	964,714	2,336,789
Reconciliation:			
Corporate and other unallocated assets			81,133
Total assets			2,417,922
Segment liabilities	731,147	256,719	987,866
Reconciliation:			
Corporate and other unallocated liabilities			634,439
Total liabilities			1,622,305
Other segment information:			
Impairment losses recognised in the statement of profit or loss	14,998	13,544	28,542
Depreciation and amortisation	27,900	43,929	71,829
Capital expenditure*	10,744	148,123	158,867
Other non-cash expenses	–	6,052	6,052

* Capital expenditure consist of additions to property, plant and equipment, other intangible assets including assets from the acquisition of a subsidiary.

Geographical information

(a) Revenue from external customers

	2014	2013
	RMB'000	*RMB'000*
Mainland China	**1,058,748**	2,066,087
Taiwan	**721,907**	252,432
Korea	**91,605**	308,123
The United States of America	**–**	74,659
Hong Kong	**197,879**	508
Other countries and areas	**26,629**	10,716
	2,096,768	2,712,525

The revenue information of continuing operations above is based on the locations of the customers.

(b) Non-current assets

	2014	2013
	RMB'000	*RMB'000*
Mainland China	**608,691**	763,165
Hong Kong	**238**	297
	608,929	763,462

The non-current assets information of continuing operations above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Revenue from continuing operations of approximately RMB721,907,000 (2013: RMB349,377,000) for the current year was derived from sales by the communication system segment to a major external customer from whom the revenue individually derived has exceeded 10% of the revenue of the Group.

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 year.

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

	2014	2013
	RMB'000	*RMB'000*
Revenue		
Sales of goods and software products	**1,817,836**	2,601,658
Rendering of services	**278,932**	105,207
Royalty income	**–**	5,660
	2,096,768	2,712,525
Other income and gains		
Bank and other interest income	**2,888**	4,173
Government grants released	**4,916**	5,864
Net gains on disposals of subsidiaries	**1,813**	1,857
Discounted amount of other borrowings arising from the passage of time	**–**	7,817
Foreign exchange differences, net	**993**	–
Fair value gains, net		
Commodity derivative contracts	**–**	204
Guarantee fee income	**10,180**	–
Others	**2,791**	1,168
	23,581	21,083

5. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Interest on bank and other borrowings wholly repayable within five years	**43,262**	68,475
Interest on a promissory note	**–**	82,237
Guarantee fee	**9,403**	–
Less: interest capitalised	**–**	(161)
	52,665	150,551

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	2014 RMB'000	2013 RMB'000
Cost of inventories sold*		**1,818,450**	2,344,647
Depreciation		**32,041**	39,525
Amortisation of prepaid land lease payments		**2,134**	2,475
Amortisation of other intangible assets**		**21,809**	29,829
Impairment of property, plant and equipment		**15,732**	1,772
Impairment of other intangible assets		**1,905**	2,402
Impairment of trade receivables	*10*	**3,820**	1,539
Impairment recognised for other receivables and prepayments	*11*	**62**	12,958
Minimum lease payments under operating leases		**8,612**	5,609
Auditors' remuneration		**2,200**	2,200
Research and development costs***		**32,678**	92,673
Government grants released		**(4,916)**	(5,864)
Foreign exchange differences, net		**(993)**	164
Employee benefit expenses (including directors' and a chief executive's remuneration)			
– Wages and salaries		**68,975**	276,958
– Equity-settled share option expense		**–**	203
– Pension scheme contributions		**6,319**	14,445
– Termination benefit		**12,621**	–
		87,915	291,606
Write-down of inventories to net realisable value		**8,514**	9,871
Loss on disposal of items of property, plant and equipment		**1,056**	6,052
Bank and other interest income		**(2,888)**	(4,173)
Net gains on disposals of subsidiaries		**(1,813)**	(1,857)

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

** Amortisation of other intangible assets is included in "Cost of sales", "Administrative expenses" and "R&D expenses" in the consolidated statement of profit or loss.

*** No amortisation of other intangible assets was included (2013: RMB267,000).

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

No material provision for Hong Kong profits tax has been made as the Group did not have material assessable profits arising in Hong Kong during the year ended 31 December 2013.

	2014	2013
	RMB'000	*RMB'000*
Current income tax – Hong Kong		
Charge for the year	**11,555**	–
Current income tax – Mainland China		
Charge for the year	**5,956**	14,752
Underprovision in prior years	**–**	227
Deferred income tax	**(1,394)**	(2,747)
Withholding tax	**–**	12,788
Total income tax expense for the year	**16,117**	25,020

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.

8. DIVIDEND

No dividend has been paid or proposed by the Company during the year ended 31 December 2014 nor has any dividend been proposed since the end of the reporting period (2013: Nil).

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 720,000,000 (2013: 720,000,000) in issue during the year.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2014	2013
	RMB'000	*RMB'000*
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations:		
From continuing operations	**49,382**	(177,375)
From a discontinued operation	**–**	(135)
	49,382	(177,510)
Weighted average number of ordinary shares in issue ('000) during the year used in the basic and diluted earnings/(loss) per share calculations	**720,000**	720,000
Earnings/(loss) per share:		
Basic and diluted		
– For the continuing operations	**RMB6.86 cents**	(RMB24.64 cents)
– For the discontinued operation	**–**	(RMB0.01 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 years ended 31 December 2014 and 31 December 2013.

10. TRADE AND BILLS RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**1,243,309**	1,148,226
Impairment	**(6,945)**	(3,125)
Trade receivables, net	**1,236,364**	1,145,101
Bills receivable	**24,541**	56,329
	1,260,905	1,201,430

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:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**800,592**	750,984
3 to 6 months	**176,257**	57,747
6 to 12 months	**38,541**	171,103
1 to 2 years	**98,612**	51,987
Over 2 years	**122,362**	113,280
	1,236,364	1,145,101

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

	2014	2013
	RMB'000	*RMB'000*
Opening balance	**3,125**	4,419
Impairment loss recognised	**4,588**	1,539
Written off	**(768)**	(2,833)
Closing balance	**6,945**	3,125

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

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**12,069**	32,518
Over 3 months but within 6 months	**12,472**	23,811
	24,541	56,329

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Advances to suppliers and other third parties	**166,227**	171,244
Value added tax receivable	**4,506**	10,394
Deposits and prepayments	**1,739**	5,000
Other receivables	**10,617**	13,390
Consideration receivable for disposals of subsidiaries	**4,715**	15,274
Amounts due from related parties	**10,681**	14,887
	198,485	230,189

Movements in the provision for impairment of prepayments, deposits and other receivables are as follows:

	2014	2013
	RMB'000	*RMB'000*
Opening balance	**3,011**	3,221
Impairment loss recognised	**62**	12,958
Disposal of a subsidiary	**–**	(13,168)
Closing balance	**3,073**	3,011

The balance as at 31 December 2014 was unsecured.

12. TRADE AND BILLS PAYABLES

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

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**513,181**	379,234
3 to 12 months	**146,682**	221,139
1 to 2 years	**143,355**	37,548
Over 2 years	**17,423**	21,412
	820,641	659,333

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:

	2014	2013
	RMB'000	*RMB'000*
Within 3 months	**30,065**	40,013
3 to 6 months	**16,338**	4,830
	46,403	44,843

13. OTHER PAYABLES AND ACCRUALS

	2014	2013
	RMB'000	*RMB'000*
Advances from customers	**39,738**	37,333
Accruals	**14,416**	9,299
Payables for acquisition of property, plant and equipment	**2,102**	41,000
Payroll payable	**11,681**	13,566
Termination benefit payable	**10,072**	–
Other taxes payable	**40,973**	116,626
Other payables	**14,871**	15,927
Amounts due to related parties	**14,023**	1,064
	147,876	234,815

PERFORMANCE REVIEW

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, the Company made its efforts in (i) expanding into the markets outside Mainland China 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 R&D and marketing; (iii) disposing of several subsidiaries of the Group to improve the overall liquidity of the Group and put resources into the business with stronger profitability and better prospects; and (iv) gradually transforming its operation model to R&D and sales and marketing oriented with a view to create more profit and enhance the value of the Company for the shareholders of the Company.

Therefore, the Group recorded a total revenue of approximately RMB2,096.8 million for the year ended 31 December 2014, representing a decrease of approximately RMB615.8 million, or approximately 22.7% as compared to the revenue of approximately RMB2,712.5 million for the year ended 31 December 2013. The decrease was mainly attributable to the fact that (i) the revenue from signal transmission and connectivity products segment decreased by approximately RMB962.7 million, or approximately 57.8%, mainly due to that Sumptuous Wealth Limited (together with its subsidiaries, "Sumptuous Wealth", which was disposed of by the Group on 26 November 2013, details of which are set out in the circular of the Company dated 27 June 2013) ceased to contribute to the Group after its disposal; and (ii) the communication system segment recorded a rapid growth of approximately RMB346.9 million, or approximately 33.1% 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.

The Group's gross profit for the year ended 31 December 2014 amounted to approximately RMB271.4 million, representing a decrease of approximately RMB86.6 million, or approximately 24.2% as compared to that for the year ended 31 December 2013. The decrease was mainly attributable to (i) the decrease in gross profit from signal transmission and connectivity products segment by approximately RMB96.2 million, or approximately 48.4% as a result of the disposal of Sumptuous Wealth; and (ii) the increase in gross profit from the communication system segment by approximately RMB9.6 million, or approximately 6.0%.

The Group's net profit amounted to approximately RMB47.8 million for the year ended 31 December 2014 as compared with the net loss of approximately RMB180.2 million for the year ended 31 December 2013, which was mainly attributable to (i) the profit from the communication system segment of the Group; (ii) the fact that the Group has disposed of most of its loss-making businesses 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. Since the second half of 2014, the Group has been gradually transforming its operation model to R&D and sales and marketing oriented with a view to create more profit and enhance the value of the Company for the shareholders of the Company. Communication system products and services recorded a net profit of approximately RMB77.1 million for the year ended 31 December 2014 after deducting the costs of approximately RMB11.0 million composed of depreciation and amortisation of the valuation premium during the Rosy Sun Acquisition and the signal transmission and connectivity products recorded a loss of approximately RMB29.3 million, including the impairment loss of approximately RMB10.4 million in respect of wire and cable equipment due to the lowering profitability.

OUTLOOK

In light of the widespread use of the 4G technology, Mobile Internet technology and enterprise Private Network technology, demands on communication system equipment 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 and solutions in the areas of Microwave Communications, Wireless Mobile Internet and Smart City 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.

BUSINESS REVIEW

For management purposes, the Group is organised into business units based on their products and services. During the second half of the current year, the Group underwent a business restructuring and gradually transformed its operation model to R&D and sales and marketing oriented. Up to 31 December 2014, the Group substantially completed the business restructuring and changed the structure of the internal organisation in a manner that caused the composition of its reportable segments to change. Based on the new internal organisation as a result of the business restructuring, the Group has two reportable operating segments and the corresponding items of segment information for the year ended 31 December 2013 have been restated for presentation on the same basis. The two reportable segments are the communication system segment and the signal transmission and connectivity products segment.

	Year ended 31 December				
	2014		2013		
	Revenue *RMB'000*	**% of Revenue** *(approximate)*	Revenue *RMB'000*	% of Revenue *(approximate)*	Change in % *(approximate)*
Communication system	**1,393,914**	**66.5**	1,046,991	38.6	33.1
Signal transmission and connectivity products	**702,854**	**33.5**	1,665,534	61.4	(57.8)
Total	**2,096,768**	**100.0**	2,712,525	100.0	(22.7)

The Group recorded a total revenue of approximately RMB2,096.8 million for the year ended 31 December 2014, representing a decrease of approximately RMB615.8 million, or approximately 22.7% as compared to the revenue of approximately RMB2,712.5 million for the year ended 31 December 2013. The decrease was mainly attributable to the fact that (i) the revenue from signal transmission and connectivity products segment decreased by approximately RMB962.7 million, or approximately 57.8%, mainly due to that Sumptuous Wealth ceased to contribute to the Group after its disposal; and (ii) the communication system segment business recorded a rapid growth of approximately RMB346.9 million, or approximately 33.1% 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.

FINANCIAL REVIEW

Cost of Sales

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

	Year ended 31 December				
	2014		2013		
	RMB'000	**% of Total cost of sales (approximate)**	RMB'000	% of Total cost of sales (approximate)	Change in % (approximate)
Raw material costs	**1,449,397**	**79.4**	1,902,311	80.8	(23.8)
Utilities	**11,414**	**0.6**	20,655	0.9	(44.7)
Depreciation	**17,728**	**1.0**	34,160	1.5	(48.1)
Labor costs	**72,931**	**4.0**	178,449	7.6	(59.1)
Outsourcing costs	**248,180**	**13.6**	175,727	7.5	41.2
Others	**25,714**	**1.4**	43,180	1.7	(40.4)
Total	**1,825,364**	**100.0**	2,354,482	100.0	(22.5)

The cost of sales decreased by approximately RMB529.1 million for the year ended 31 December 2014, or approximately 22.5%, as compared to that for the year ended 31 December 2013, to approximately RMB1,825.4 million. The decrease was basically in line with the decrease in revenue mainly attributable to the disposal of Sumptuous Wealth, which led to the decline in almost every aspects comprising the cost of sales except the outsourcing costs. The increase in outsourcing costs was mainly as a result of the increase in sales from the communication system segment, the products of which were independently researched and developed by the Group and outsourcing produced.

Gross Profit and Margin

The Group's gross profit for the year ended 31 December 2014 amounted to approximately RMB271.4 million, representing a decrease of approximately RMB86.6 million, or approximately 24.2% as compared to that for the year ended 31 December 2013. The decrease was mainly attributable to (i) the decrease in gross profit from signal transmission and connectivity products segment by approximately RMB96.2 million, or approximately 48.4%, as a result of the disposal of Sumptuous Wealth; and (ii) the increase in gross profit from the communication system segment by approximately RMB9.6 million, or approximately 6.0%.

	Year ended 31 December				
	2014		2013		
	Gross profit *RMB'000*	**Gross profit margin** % ***(approximate)***	Gross profit *RMB'000*	Gross profit margin % *(approximate)*	Change in % *(approximate)*
Communication system	**168,670**	**12.1**	159,087	15.2	6.0
Signal transmission and connectivity products	**102,734**	**14.6**	198,956	11.9	(48.4)
Total	**271,404**	**12.9**	358,043	13.2	(24.2)

The gross profit margin declined to approximately 12.9% for the year ended 31 December 2014 from approximately 13.2% for the year ended 31 December 2013. The decrease was mainly attributable to the declined gross profit margin from the communication system segment, especially the terminal products and the products and services provided to the three telecommunication operators due to the fierce competition in 2014.

Other Income and Gains

The Group recorded other income and gains of approximately RMB23.6 million for the year ended 31 December 2014, including, among others (i) approximately RMB4.9 million from the government grants released during the year, (ii) approximately RMB2.9 million from the bank and other interest income; (iii) approximately RMB10.2 million from the guarantee fee charged to Jia Ya Developments Limited and its subsidiaries according to 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 the completion of the disposal of Sumptuous Wealth; and (iv) the gains on disposals of interests of subsidiaries of the Group of approximately RMB1.8 million.

Selling and Distribution Expenses

The selling and distribution expenses decreased by approximately RMB69.2 million for the year ended 31 December 2014, or approximately 62.4%, as compared with that for the year ended 31 December 2013, mainly attributable to the significant decrease in transportation expenses, staff cost, entertainment expenses and office expenses in signal transmission and connectivity products segment as a result of the disposal of Sumptuous Wealth.

Administrative Expenses

The administrative expenses decreased by approximately RMB73.4 million for the year ended 31 December 2014, or approximately 47.4%, as compared with that for the year ended 31 December 2013, which was mainly due to, among others, the disposal of Sumptuous Wealth.

R&D Expenses

The R&D expenses decreased by approximately RMB60.0 million for the year ended 31 December 2014, or approximately 64.7%, as compared with that for the year ended 31 December 2013. The decline was primarily attributable to the 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.

Other Expenses

Other expenses of the Group amounted to approximately RMB22.7 million, which was mainly attributable to (i) the impairment loss of approximately RMB15.7 million recognised in respect of property, plant and equipment in 威海市泓淋電子有限公司 (Weihai Honglin Electronic Co., Ltd, "Weihai Electronic") and in 惠州市泓淋通訊科技有限公司 ("Huizhou Honglin Communication Co., Ltd., "Huizhou Communication", which was disposed of by the Group on 27 May 2014); (ii) impairment loss of approximately RMB3.8 million recognised in respect of trade and other receivables; and (iii) impairment loss of approximately RMB1.9 million recognised in respect of intangible assets.

Finance Costs

The finance costs decreased by approximately RMB97.9 million for the year ended 31 December 2014, or approximately 65.0%, as compared with that for the year ended 31 December 2013, which was mainly attributable to (i) the decrease in bank interest expenses of approximately RMB25.0 million as a result of the disposal of Sumptuous Wealth and repayment of bank borrowings during the year; (ii) the nominal interest expense of approximately RMB82.2 million incurred by the Group due to early redemption of the promissory note issued by the Company to Mr. Chi on 31 January 2013 as a result of the disposal of the Sumptuous Wealth in 2013, while no such expenses were recorded in 2014 since the promissory note was settled on 26 November 2013 to offset the consideration of the disposal of Sumptuous Wealth; and (iii) the increase in guarantee fee of approximately RMB8.0 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 RMB16.1 million for the year ended 31 December 2014 primarily due to the current PRC Enterprise Income Tax expense and Hong Kong Profits Tax occurred from the communication system segment. Overall, the Group's effective tax rate for the year ended 31 December 2014 was 25.22%, compared with -16.15% for the year ended 31 December 2013.

Profit for the Year

The Group's net profit amounted to approximately RMB47.8 million for the year ended 31 December 2014 as compared with the net loss of approximately RMB180.2 million for the year ended 31 December 2013, which was mainly attributable to (i) the profit from the communication system segment of the Group; (ii) the fact that the Group has disposed of most of its loss-making businesses 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. Since the second half of 2014, the Group has been gradually transforming its operation model to R&D and sales and marketing oriented with a view to create more profit and enhance the value of the Company for the shareholders of the Company. Communication system products and services recorded a net profit of approximately RMB77.1 million for the year ended 31 December 2014 after deducting the costs of approximately RMB11.0 million composed of depreciation and amortisation of the valuation premium during the Rosy Sun Acquisition and the signal transmission and connectivity products recorded a loss of approximately RMB29.3 million, including the impairment loss of approximately RMB10.4 million in respect of wire and cable equipments due to the lowering profitability.

Liquidity and Financial Resources

The Group continues to implement prudent financial management policies and maintains a reasonable gearing ratio during its operation. As at 31 December 2014, the Group's gearing ratio (measured by total short-term borrowings as a percentage of total assets of the Group) was approximately 20.1% (31 December 2013: approximately 25.9%).

As at 31 December 2014, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB489.4 million (31 December 2013: approximately RMB625.2 million). These loans carried interests at floating or fixed rates. Out of the total interest-bearing bank and other borrowings of approximately RMB489.4 million, approximately RMB134.9 million was secured loans.

The decrease in interest-bearing bank and other borrowings of approximately RMB135.8 million was mainly attributable to the Group not renewing some bank borrowings upon their maturity.

As at 31 December 2014, the Group pledged its land use right, buildings and bank deposits to banks to secure the bank loans of the Group and obtain general banking facilities for the Group.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtednesses, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as at the close of business on 31 December 2014.

The Directors have confirmed that, there has been no material change in the indebtednesses and contingent liabilities of the Group since 31 December 2014 to the date of this announcement.

Foreign Currency Risk

As certain of the Group's trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings 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 31 December 2014 was approximately RMB145.4 million (31 December 2013: approximately RMB125.8 million). The average turnover days for inventories dropped to 28 days as at 31 December 2014 (31 December 2013: 36 days) mainly due to the relatively high inventory turnover rate of the communication system business.

Trade and bills receivables balance as at 31 December 2014 was approximately RMB1,260.9 million (31 December 2013: approximately RMB1,201.4 million). The increase in trade and bills receivables balance was mainly due to the increase in sales and business scope in the communication system segment. The average turnover days for trade and bills receivables increased to 215 days (31 December 2013: 172 days) mainly due to the rising proportion of sales from communication system segment with relatively long credit period. As at 31 December 2014, approximately 64.8% of our trade and bills receivables was aged within three months.

Trade and bills payables balance as at 31 December 2014 was approximately RMB867.0 million (31 December 2013: approximately RMB704.2 million). The increase in trade and bills payables balance was mainly due to the increase in purchases and business scope of the communication system segment. The average turnover days for trade and bills payables increased to 158 days as at 31 December 2014 (31 December 2013: 107 days), the increase in turnover days was mainly due to the rising proportion of purchase from communication system segment which was outsourcing produced and had relatively long payable credit period.

The Group's cash conversion cycle for the year ended 31 December 2014 was 85 days as compared with 101 days for the year ended 31 December 2013.

Cash Flows

For the year ended 31 December 2014, the net cash from operating activities for the year ended 31 December 2014 increased to approximately RMB250.3 million from approximately RMB85.8 million for the year ended 31 December 2013. The improvement on operating cash flows condition was primarily due to the increase in total revenue, which was partially offset by the decrease in business scale of the signal transmission and connectivity caused by the disposal of Sumptuous Wealth.

The net cash used in investing activities for the year ended 31 December 2014 of approximately RMB8.0 million was primarily attributable to the investments in property, plant and equipment in Weihai, Dezhou and Huizhou bases, and land use right in Weihai base, which was partially offset by the proceeds from disposal of subsidiaries of the Group.

The net cash used in financing activities for the year ended 31 December 2014 amounted to approximately RMB135.0 million, which was primarily attributable to the repayment of bank and other borrowings.

Capital Expenditures

For the year ended 31 December 2014, the Group incurred total capital expenditures of approximately RMB37.2 million in the purchase of intangible assets and property, plant and equipment.

Capital Commitments

As at 31 December 2014, the Group had capital commitments of approximately RMB7.9 million in respect of acquisition of property, plant and equipment. As at 31 December 2013, the Group had capital commitments of approximately RMB25.8 million in respect of acquisition of property, plant and equipment.

Contingent Liabilities

As at 31 December 2014, the Group had contingent liabilities of approximately RMB385.5 million (31 December 2013: 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.

The Group underwent several intragroup reorganisations in the current year, which included splits of and transfers of subsidiaries within the Group. The Group has filed the intragroup reorganisations, if required, with the tax authorities in charge. Yet those intragroup reorganisations may be subject to further investigations if initiated by the tax authorities in charge on their request. The directors believe that the taxes arising from those intragroup reorganisations have been properly 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 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 authority in charge. Therefore, the possible obligation of such additional tax has not been provided for.

Employees

As at 31 December 2014, the subsidiaries of the Group had a total of 2,717 staff, of which 971 were direct employees (31 December 2013: 1,841) and 1,055 were contract workers (31 December 2013: 1,186). As at 31 December 2014, the Group also had 691 part time interns (31 December 2013: 881). All contract workers and part time interns were mainly deployed in production. The breakdown of direct employees of the Group as at 31 December 2014 and 2013 is as follows:

	As at 31 December 2014	As at 31 December 2013
Manufacturing	**242**	584
Sales and marketing	**305**	506
General and administration	**222**	389
Research and development	**124**	221
Quality and control	**75**	141
Total	**971**	1,841

The significant decrease in the numbers of employees as at 31 December 2014 as compared with that as at 31 December 2013 was mainly due to the fact that the Group laid off certain staff as the Group redressed its business strategy and gradually transformed its operation model to R&D and sales and marketing oriented.

Compensation policy of the Group is determined by evaluating individual performance of the employees.

Use of Proceeds Raised from the Global Offering

The net proceeds raised from the global offering of the Company (the "Global Offering"), after deducting the relevant costs were approximately HK$470.3 million (equivalent to approximately RMB400.7 million) (the "IPO Proceeds").

Up to 21 February 2014, the Company had utilised approximately RMB332.1 million of the IPO Proceeds in line with the disclosure in the prospectus of the Company, details of which are tabulated below:

Intended use disclosed in the Prospectus	**Amount of IPO Proceeds allocated as provided in the Prospectus** *RMB million (approximately)*	**Utilised amount** *RMB million (approximately)*	**Unutilised amount** *RMB million (approximately)*
Expanding production capacity of existing products	160.3	117.0	43.3
Development and production of new products	176.3	151.0	25.3
Research and development investments	24.0	24.0	–
General working capital and other general corporate purposes	40.1	40.1	–
Total	400.7	332.1	68.6

The total balance of the unutilised IPO Proceeds was approximately RMB68.6 million as at 21 February 2014, all of which was originally intended to be used in expanding the production capacity of the Group and the development and production of new products of the Group in its Chongqing and Wuhan bases. In light of, among other things, (i) the disposal of 武漢市泓淋電子有限公司 (Wuhan Honglin Electronic Co., Ltd.*, details of which are set out in the announcement of the Company dated 27 September 2013); (ii) the completion of the disposal of Sumptuous Wealth; and (iii) the disposal of 武漢市泓淋科技有限公司 (Wuhan Honglin Technology Co., Ltd.*, "Wuhan Technology", details of which are set out in the announcement of the Company dated 10 January 2014), the businesses of the Group in Chongqing and Wuhan together with the investment in their production bases have been disposed of due to the unfavorable operation environment in their business scope and their performance in recent years. In view of aforesaid changes, the Board considers that it is necessary to adjust the proposed use of the unutilised IPO Proceeds of approximately RMB68.6 million to the expansion of the domestic and international markets on the Group's products lines of the signal transmission and connectivity products, R&D investments in the Group's signal transmission and connectivity products and general working capital, since the IPO Proceeds originally allocated to R&D investments and general working capital have been fully utilised. The Board reckons the need for increasing investments in R&D having considered the current business profile of the Group and the industry trend, and the newly allocated IPO Proceeds can also serve as the supplement to the general working capital of the Group and mitigate the financing pressure on the Group.

* *For identification purpose only*

Details of the change in use of IPO proceeds have been set out in the announcement dated 21 February 2014 published by the Company.

The new intended use of the IPO Proceeds revised according to the announcement dated 21 February 2014 and the accumulated expenses for the period from 21 February 2014 to 31 December 2014 is as follows:

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

As at 31 December 2014, all the IPO Proceeds have been fully used up according to the prospectus of the Company and the announcement dated 21 February 2014 published by the Company.

DISPOSAL OF WUHAN TECHNOLOGY

On 10 January 2014, Weihai Electronic, an indirect wholly-owned subsidiary of the Company, 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 Co., Ltd.*, "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 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 Co., Ltd.*, "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 business operation and did not generate 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 25 April 2014, 德州錦城電裝有限公司 (Dezhou Jincheng Electronic Co., Ltd.*, "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 Co., Ltd.*), 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 Co., Ltd.*, "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.

DISPOSAL OF HUIZHOU COMMUNICATION

On 27 May 2014, 威海市明博綫纜科技有限公司 (Weihai Mingbo Wire & Cable Technology Co., Ltd.*, "Weihai Mingbo") entered into a disposal agreement with 威海鵬威勞務派遣有限公司 (Weihai Pengwei Labor Dispatchment Co., Ltd.*, "Weihai Pengwei") to dispose of the entire equity interests in Huizhou Communication to Weihai Pengwei, 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 a 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 a 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 Co., Ltd.*, "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.

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 of

* *For identification purpose only*

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 Dezhou Jincheng have been set out in the announcements dated 27 June 2014 and 30 June 2014 published by the Company.

CHANGE IN SHAREHOLDING OF 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 then controlling shareholder of the Company, 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 the vice chief executive officer ("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.

Further details of the Change in Shareholding of Chenlin International have been set out in the announcements of the Company dated 8 April 2014, 14 April 2014 and 5 June 2014, respectively.

CONTINUING CONNECTED TRANSACTIONS

In order to continue certain intragroup transactions between the Group on one hand, and Jia Ya Developments Limited and its subsidiaries (including Abundant Wit Limited, Sumptuous Wealth, Greatest Group Limited, 威海市泓博線纜科技有限公司 (Weihai Hongbo Wire & Cable Technology Co., Ltd.*), 常熟泓淋電子有限公司 (Changshu Honglin Electronic Co., Ltd.*), Honglin Technology Co., Ltd., 惠州市泓淋科技有限公司 (Huizhou Honglin Technology Co., Ltd.*), 重慶市泓淋科技有限公司 (Chongqing Honglin Technology Co., Ltd.*), 重慶市淋博投資有限公司 (Chongqing Linbo Investment Co., Ltd.*), 深圳市泓淋通訊科技有限公司 (Shenzhen Honglin Communication Technology Co., Ltd.*), 德州泓淋電子有限公司 (Dezhou Honglin Electronic Co., Ltd.*, "Dezhou Electronic"), 常熟泓淋連接技術

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有限公司 (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 (Changshu Honglin Wire & Cable Co., Ltd.*, "Changshu Cable") (the "Jia Ya Group") on the other hand after the completion of the disposal of the Sumptuous Wealth, on 10 October 2014 (after trading hours), certain members of the Group (including Weihai Mingbo, Weihai Electronic, 威海錦源銘業房地產開發有限公司 (Weihai JinYuan Mingye Property Development Co., Ltd.*), Dezhou Jincheng, 天津錦城哈尼斯汽車電裝有限公司 (Tianjin Jincheng Hanisi Automotive Electronics Co., Ltd.*), New Postcom Technology Co., Ltd. and 沈陽新郵通信設備有限公司 (Shenyang New Postcom Co., Ltd.) (the "HL Group") and the Jia Ya Group entered into the following agreements (the "New CCT Agreements") (the "New CCT"):

(i) the new master sale agreement, pursuant to which HL Group will continue to sell cable, power cord and relevant components to Jia Ya Group;

(ii) the new master purchase agreement, pursuant to which HL Group will continue to purchase external and internal signal cable assembly from Jia Ya Group;

(iii) the new cross guarantee agreement, pursuant to which HL Group and Jia Ya Group will continue to provide reciprocal guarantee on banking facilities of each other;

(iv) the new commission agreement, pursuant to which Honglin Technology Co., Ltd., will continue to act as an agent for trading certain products of Weihai Electronic in Taiwan; and

(v) the new tenancy and utility services agreement, pursuant to which Dezhou Electronic will continue to lease property and provide relevant utility services to Dezhou Jincheng.

All the above New CCT Agreements will be valid for the period commencing from 1 January 2015, or the date on which all conditions precedent to the relevant New CCT Agreements have been fulfilled (whichever is later), to 31 December 2015.

Proposed Caps

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

* *For identification purposes only*

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

Mr. Chi is the controlling shareholder of Jia Ya Group (except Changshu Cable) whilst Mr. Jiang Taike ("Mr. Jiang") (a person who was a director of the Company in the 12 months preceding the date of the New CCT Agreements) is the controlling shareholder of Changshu Cable. Accordingly, Mr. Chi, Mr. Jiang and each member of Jia Ya Group are considered to be connected persons of the Company as at the date of the New CCT Agreements under Chapter 14A of the Listing Rules. The entering into the New CCT Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

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

An extraordinary general meeting was held on 17 November 2014 and all non-exempted New CCT have been approved by the independent shareholders of the Company.

Details of the New CCT have been set out in the announcement dated 10 October 2014, and the circular dated 31 October 2014 published by the Company.

DIVIDEND

The Directors consider that the declaration, payment and amount of the dividend shall be subject to the status of the Group's future development. The Board does not recommend any final dividend for the financial year ended 31 December 2014 (2013: Nil) and will consider to formulate a dividend policy at an appropriate time in the future.

CLOSURE OF REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 22 May 2015 (Friday) to 29 May 2015 (Friday) (both dates inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting of the Company, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 21 May 2015 (Thursday).

CORPORATE GOVERNANCE CODE

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 strives 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 Group. The principles and applicable code provisions of the Corporate Governance Code (the "CG Code") contained in the Appendix 14 to the Listing Rules have been adopted by and complied with the Group throughout the year 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 separated and should not be performed by the same individual. The Group does not at present separate the roles of the chairman and the CEO. For the year ended 31 December 2014, Mr. Chi is both the chairman of the Board and the CEO. The Board considers that vesting the roles of chairman 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 the CEO when necessary.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by 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 complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year ended 31 December 2014.

AUDIT COMMITTEE

The Company established the Audit Committee pursuant to a resolution of Directors passed on 25 October 2010 in compliance with Rule 3.21 of the Listing Rules. 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. 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 applicable code provisions in the CG Code.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2014, the consolidated financial statements for the year ended 31 December 2014 and this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2014.

FINANCIAL INFORMATION

The financial information set out in this announcement represents an extract from the Group's audited accounts for the year ended 31 December 2014. The financial information has been reviewed by the Audit Committee, approved by the Board and agreed by the Group's external auditors, Ernst & Young.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 29 May 2015 (Friday) and the notice of annual general meeting will be published and despatched to shareholders of the Company in due course.

ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 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 that of the Company (www.hong-lin.com.cn) in due course. Printed copies will be despatched to shareholders of the Company in due course.

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

Hong Kong, 26 March 2015

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.

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