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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 2013

HIGHLIGHTS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Revenue	**1,318,803**	1,171,597
Gross profit	**165,769**	172,250
(Loss)/profit before tax	**(28,649)**	27,000
(Loss)/profit for the period	**(42,517)**	28,108
(Loss)/profit attributable to:		
— Owners of the parent	**(42,163)**	33,943
— Non-controlling interests	**(354)**	(5,835)
	(42,517)	28,108
(Loss)/earnings per share		
— Basic (RMB cents)	**(5.86)**	4.71

* *For identification purposes only*

Selected Financial Ratios
For the six months ended 30 June

	2013 (Approximate)	2012 (Approximate)
Gross profit margin	**12.6%**	14.7%
Net (loss)/profit margin	**(3.2%)**	2.4%
Current ratio (times)	**1.1**	1.2
Gearing ratio[(1)]	**31.3%**	31.4%
Return on total assets[(2)]	**(1.2%)**	1.0%
Return on total equity[(2)]	**(3.5%)**	2.1%

(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

The operating environment for global computing and consumer electronics markets kept meeting with challenges and difficulties during the first half of 2013. The growth of the global economic has become slower with the intensifying sovereign debt crisis in Europe and delayed recovery of American economy. The overall oversupply in manufacture industry and the worldwide inflation further weakened the initiative of investors and consumers, which caused the low investment and consumption demands. Except for the smart cell phone market, performance of traditional computing and consumer electronics markets was sloping downward during the first half of 2013. Consequently, participants in the global computing and consumer electronics markets faced a tough competitive operating environment. Negative impact on the relatively traditional products, as seen in the decline of both the procurement amount from customers of the Group and the average selling price of the products of the Group, continued in the first half of 2013.

In the meantime, the Group witnessed a relatively promising picture for communication market as the industry worldwide, especially in the People's Republic of China (the "PRC"), has experienced significant growth with constant expanding market size and continuous rising of number of the end users over the past few years, while the supporting policy from PRC government also injected more impetus into the fast growth of this industry. The newly emerging smart cell phone market is developing speedly, with its market share already exceeding that of the traditional cell phone market in the first half of 2013 which indicated a even brighter future.

To improve the efficiency and profitability of the Group, the Group is dedicated to (i) upgrade its customer base, enhance its research and development capability, improve the management system and optimize the products quality system; (ii) tighten credit and cost control and scale back capital expenditure in certain areas to better manage our operations; and (iii) proactively reorganize and integrate its business portfolio by disposing the part of businesses with poor profitability and performance. Hence, the Group recorded a total revenue of approximately RMB1,318.8 million for the six months ended 30 June 2013, representing an increase of approximately 12.6% as compared to the six months ended 30 June 2012. Among the total revenue of the Group, revenue generated from the terminals and networks segments, which were newly added to the Group's business portfolio after completion of the acquisition of entire issued share capital of Rosy Sun Investments Limited ("Rosy Sun") (the "Rosy Sun Acquisition") on 31 January 2013 (the "Newly Acquired Business"), was approximately RMB498.5 million, representing approximately 37.8% of the total revenue of the Group. While for the original businesses of the Group, including external signal cable assembly, internal signal cable assembly, power cord assembly, signal transmission wire and cable, connectors, antennas and automotive wiring harness (collectively, the "Signal Transmission and Connectivity Product Segments", or the "Original Business"), the revenue decreased from approximately RMB1,030.8 million for the six months ended 30 June 2012 to approximately RMB820.3 million for the six months ended 30 June 2013, representing a decrease of approximately 20.4%. The decrease in revenue from the Original Business was mainly due to the decline of both the procurement amount from customers of the Group and the average selling price of the products of the Group in the tough competitive operating environment.

The Group's gross profit for the six months ended 30 June 2013 amounted to approximately RMB165.8 million, representing a decrease of approximately RMB6.5 million as compared to the six months ended 30 June 2012. There was also a decrease of approximately 2.1% in gross profit margin for the six months ended 30 June 2013 as compared to the six months ended 30 June 2012. Gross profit generated from the Newly Acquired Business was approximately RMB65.2 million. Gross profit generated from the Original Business decreased from approximately RMB162.9 million for the six months ended 30 June 2012 to approximately RMB100.6 million for the six months ended 30 June 2013, representing a decrease of approximately 38.2%. Such decrease of gross profit in the Original Business was mainly due to (i) the decline in the average selling price across some of the Group's relatively more traditional products, such as external signal cable assembly, internal signal cable assembly, connectors and antennas, along with increasingly fierce competition and the weakened demand from the Group's major customers for the six months ended 30 June 2013; and (ii) overall rise in labor and outsourcing costs.

The Group incurred a net loss of approximately RMB42.5 million even after combining the net profit of approximately RMB29.4 million recorded by the Newly Acquired Business, which is calculated after taking into account the net profit of approximately RMB40.5 million recorded by 瀋陽新郵通信設備有限公司 (Shenyang New Postcom Co., Ltd.*, the "PRC Company"), an operating company indirectly wholly owned by Rosy Sun, and other costs of approximately RMB11.1 million mainly composed of depreciation and amortisation of valuation premium of prepaid land lease payments, property, plant and equipment and intangible assets identified during the Rosy Sun Acquisition and effective interest rate amortisation and exchange gain on the promissory note issued by the Company to Mr. Chi Shaolin ("Mr. Chi"). The loss for the six months ended 30 June 2013 for the Original Business was approximately RMB71.9 million which was mainly due to: (i) the decrease in gross profit for the six months ended 30 June 2013; (ii) the increase in operating expenses relating to selling and distribution and research and development expenses along with the Group's continued efforts on developing new products and exploring new markets; and (iii) impairment loss on property, plant and equipment and inventories recognised during the six months ended 30 June 2013 since their recoverable amount, or net realizable value was less than their carrying amount.

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In view of the above circumstances, the Company will monitor its business scale and portfolio closely and focus on putting resources into businesses with stronger profitability and better market prospects to get rid of the loss status and hope to enhance profitability in the near future.

Efforts extended by the Group for the six months ended 30 June 2013 were summarised as follows:

Upgrading of the Customer Base

In the first half of 2013, the Group kept making great steps and melting its way into the supply chain of the world-renowned brands with better credit by providing excellent products quality and the Group has been optimizing its resources on the team construction of major customers department in spite of the weak operating environment in order to make profit when the recovery of the economic comes. The Group also entered into the supply chain of the three major telecommunication services providers after completion of the Rosy Sun Acquisition.

Progress of Research and Development

Following the entering into of telecommunication industries upon completion of the Rosy Sun Acquisition, the Group has proactively been dedicated into the research and development of the telecommunication related technology and equipment, for instance, newly emerging information services industry such as the vehicle networking and the wireless smart park projects developed by the Group and which obtained profits during the first half of 2013 due to the long term investments in research and development and the accumulation of these new technologies in the area of internet and cloud computing. The Group developed these technologies relying on the coorporation between the Group and some manufacturing corporates of large family car and heavy machineries and equipments. The Group also developed a new type of specialty power cable named Hybrid Cable for Telecommunication in the first half of 2013.

Upgrading of Management System

In order to further enhance the management efficiency and reduce operation costs, the Group stepped up ongoing optimization and upgrading of its management system in the first half of 2013. Great efforts were put on a number of spectrums, stretching across: (i) optimizing the automization operation system of EHR (Electronic Human Resource) and further boost the Company's social responsibility by improving working environment safety; (ii) continuously integrating and centralizing superior financial resources within the Group and promote the combination of the centralized financial management and reasonable authorization to further improve the efficiency of the Group's financial system; (iii) improving the safety factor of information access by further revising the ERP (Enterprise Resource Planning) system process and constructing the VPN (Virtual Private Networks); and (iv) recruiting talents with experience in internationally renowned companies in respect of the research and development, management and sales departments, in order to achieve more scientific and systematic management methods.

Optimization of Quality System

To drive up the overall quality control ability of the products and services of the Group, the quality control department introduced the transaction tracking software in the first half of 2013. The Group also established electronic system to supervise the sample requirements from customers, the solution and track to the questions of the products development and the reviewing of the quality of mass production. In doing so, the Group could master the process of products development effectively and speed up the problem-solving process. The quality control of newly developed products could also be better supervised with the application of the above mentioned software system management, which further improved the overall quality of the Group and facilitated the requirements of our customers.

Business Restructuring

On 9 June 2013, the Company entered into a sale and purchase agreement with the Jia Ya Developments Limited ("Jia Ya") and Mr. Chi for the sale of the entire issued share capital of Sumptuous Wealth Limited ("Sumptuous Wealth") (the "S&P Agreement of Sumptuous Wealth") (as supplemented by the supplemental agreement dated 24 June 2013) (the "Sumptuous Wealth Disposal"). The Sumptuous Wealth Disposal will allow the Group to dispose of part of its business in loss status and focus on its remaining business with better profitability.

Following the resolution for approving the Rosy Sun Acquisition being duly passed by the independent shareholders of the Company on 28 January 2013, completion of the Rosy Sun Acquisition took place on 31 January 2013. Rosy Sun and among others, its indirectly wholly owned subsidiary, the PRC Company, became subsidiaries of the Company.

Upon the completion of the Rosy Sun Acquisition, the Group has started to work with the three major telecommunication services providers in the PRC as valuable customers and has taken part in the telecommunication industry which has experienced significant growth in recent years with the supporting policy by the PRC government, and practically engaged in (i) the research and development, manufacturing and sale of cell phones, which can run on 2G and/or 3G networks such as GSM, IS-95, CDMA2000 and TD-SCDMA in the PRC; (ii) the sale of network equipment to three major telecommunication services providers in the PRC, such as core network equipment, IPRAN and xPON; and (iii) the provision of services to major telecommunication services providers in the PRC, such as the installation, maintenance and upgrade of the network equipment and/or wireless network optimization in the existing network systems.

On 12 January 2013, the resolutions for approving the disposal of 55% equity interest in 天津日拓汽車電裝有限公司 (Tianjin Rituo Automotive Electronics Co., Ltd.*, "Rituo Automotive") and the acquisition of 100% equity interest in 天津市日拓高科技有限公司 (Tianjin Rituo High Technology Co., Ltd*, "Rituo Technology") were duly passed by the independent shareholders of the Company. The Company has started to carry out its wholly owned automotive wiring harness business since.

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Outlook

Several new technologies and devices are looming their way into our life such as wireless power charger, which seems will change our lifestyle somewhat, and the future of the global computing and consumer electronics markets are still unpredictable. By entering into the telecommunication industry and due to the great efforts we have made during the past six months, the Group expect to turn around loss position and make profit in the near future. To achieve this goal, the Company will further dedicate to the restructuring of its traditional business such as the entering into the S&P Agreement of Sumptuous Wealth to dispose some of our loss making businesses. The Company will keep dealing with the complicated situation with cautious, fostering our strengths and circumventing the weaknesses to add value to the Group. In summary, the Group is convinced that the continuous enhancement and development of our business will eventually realise.

UNAUDITED INTERIM RESULTS

The board (the "Board") of directors (the "Director(s)") of the Company announces the unaudited consolidated interim financial results of the Group for the six months ended 30 June 2013 together with the unaudited and restated comparative figures for the corresponding period in 2012. 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").

The Rosy Sun Acquisition is regarded as a business combination under common control of Mr. Chi, the controlling shareholder of the Company, before and after the Rosy Sun Acquisition. The condensed 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 from an independent party. Thus, the condensed consolidated income statements, condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2013 and 2012 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the dates when these companies first came under the common control of Mr. Chi, where this is a shorter period. The condensed consolidated statements of financial position of the Group as at 31 December 2012 and 30 June 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 Rosy Sun Acquisition.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited) (Restated)
REVENUE	4	**1,318,803**	1,171,597
Cost of sales		**(1,153,034)**	(999,347)
Gross profit		**165,769**	172,250
Other income and gains	4	**17,127**	25,567
Selling and distribution expenses		**(53,257)**	(32,523)
Administrative expenses		**(70,802)**	(63,802)
Research and development expenses		**(43,627)**	(39,691)
Other expenses		**(4,156)**	(11,423)
Finance costs	5	**(39,703)**	(23,378)
(LOSS)/PROFIT BEFORE TAX	6	**(28,649)**	27,000
Income tax (expense)/credit	7	**(13,868)**	1,108
(LOSS)/PROFIT FOR THE PERIOD		**(42,517)**	28,108
Attributable to:			
Owners of the parent		**(42,163)**	33,943
Non-controlling interests		**(354)**	(5,835)
		(42,517)	28,108
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	9	**(5.86 RMB cents)**	4.71 RMB cents
Diluted	9	**(5.86 RMB cents)**	4.71 RMB cents

Details of the dividends payable are disclosed in note 8 to the condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
(LOSS)/PROFIT FOR THE PERIOD	**(42,517)**	28,108
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(174)**	290
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(42,691)**	28,398
Attributable to:		
Owners of the parent	**(42,337)**	34,233
Non-controlling interests	**(354)**	(5,835)
	(42,691)	28,398

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Unaudited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**800,717**	759,096
Prepaid land lease payments		**120,815**	86,750
Goodwill		**61,146**	61,146
Other intangible assets		**167,745**	181,049
Available-for-sale investments		**15,000**	15,000
Deferred tax assets		**6,825**	6,349
Prepayments for acquiring property, plant and equipment		**5,758**	13,843
Prepayments for acquiring land use rights		**44,587**	76,251
Long-term trade receivables	*10*	**–**	8,598
Total non-current assets		**1,222,593**	1,208,082
CURRENT ASSETS			
Inventories		**400,080**	327,404
Trade and bills receivables	*10*	**1,324,275**	1,353,534
Prepayments, deposits and other receivables		**341,171**	308,593
Derivative financial instruments		**1,973**	156
Pledged deposits		**22,708**	26,799
Cash and cash equivalents		**155,366**	144,082
		2,245,573	2,160,568
Assets of a disposal group classified as held for sale		**–**	137,625
Total current assets		**2,245,573**	2,298,193
CURRENT LIABILITIES			
Trade and bills payables	*11*	**737,714**	666,423
Other payables and accruals		**205,298**	182,078
Derivative financial instruments		**345**	–
Interest-bearing bank and other borrowings		**1,085,917**	1,065,752
Tax payable		**23,662**	20,829
		2,052,936	1,935,082

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Notes	**30 June 2013** ***RMB'000*** **(Unaudited)**	31 December 2012 *RMB'000* (Unaudited) (Restated)
Liabilities directly associated with assets classified as held for sale		**–**	69,613
Total current liabilities		**2,052,936**	2,004,695
NET CURRENT ASSETS		**192,637**	293,498
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,415,230**	1,501,580
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**20,632**	17,393
Promissory note payable		**446,099**	–
Other long-term payables	*11*	**–**	7,697
Government grants		**13,691**	13,955
Total non-current liabilities		**480,422**	39,045
Net assets		**934,808**	1,462,535
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**97,401**	97,401
Reserves		**834,152**	1,329,937
		931,553	1,427,338
Non-controlling interests		**3,255**	35,197
Total equity		**934,808**	1,462,535

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Net cash flows from/(used in) operating activities	**44,581**	(12,748)
Net cash flows used in investing activities	**(55,112)**	(81,200)
Net cash flows from financing activities	**22,577**	140,313
NET INCREASE IN CASH AND CASH EQUIVALENTS	**12,046**	46,365
Cash and cash equivalents at beginning of period	**144,082**	106,650
Effect of foreign exchange rate changes, net	**(762)**	507
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**155,366**	153,522

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2013

1. CORPORATE INFORMATION

HL Technology Group Limited (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 Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the manufacture and sales of signal cable assembly, power cord assembly, signal transmission wire and cable products, connectors, antennas, automotive wiring harness, telecommunication products and other products and provision of services for construction of base station for telecommunication networks.

In the opinion of the Directors, the Company's parent and ultimate holding company is Chenlin International Joint Stock Company Limited, a company incorporated in the British Virgin Islands, and its ultimate controlling party is Mr. Chi.

2.1 BUSINESS COMBINATIONS UNDER COMMON CONTROL AND BASIS OF PREPARATION

On 28 October 2012, the Company and 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, 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 Group is principally engaged in (i) 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 PRC, which are reported in "Terminals Segment"; (ii) sale of network equipment to major telecommunication services providers in the PRC such as core network equipment, IPRAN and xPON, which are reported in "Networks Segment"; and (iii) 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 "Networks Segment". 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 and has 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 Rosy Sun Acquisition is regarded as a business combination under common control of the controlling shareholder of the Company before and after the Rosy Sun Acquisition. The condensed 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 from an independent party.

The condensed consolidated income statements, condensed consolidated statements of comprehensive income, condensed consolidated statements of changes in equity and condensed consolidated statements of cash flows of the Group for the six months ended 30 June 2013 and 2012 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 statements of financial position of the Group as at 31 December 2012 and 30 June 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 Rosy Sun Acquisition.

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

These condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

These 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 2012.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in the preparation of these condensed consolidated financial statements are consistent with those used in the Group's annual consolidated financial statements for the year ended 31 December 2012, 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:

IFRS 1 Amendments	Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Government Loans*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*
IFRS 10	*Consolidated Financial Statements*
IFRS 11	*Joint Arrangements*
IFRS 12	*Disclosure of Interests in Other Entities*
IFRS 10, IFRS 11 and IFRS 12 Amendments	*Amendments to IFRS 10, IFRS 11 and IFRS 12 — Transition Guidance*
IFRS 13	*Fair Value Measurement*
IAS 1 Amendments	*Amendments to IAS 1 — Presentation of Items of Other Comprehensive Income*
IAS 19 (Revised)	*Employee Benefits*
IAS 27 (Revised)	*Separate Financial Statements*
IAS 28 (Revised)	*Investments in Associates and Joint Ventures*
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	*Amendments to a number of IFRSs issued in May 2012*

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. As a result of the Rosy Sun Acquisition described in note 2.1, the Group changed the structure of its internal organisation in a manner that caused the composition of its reportable segments to change. Based on the new internal organization incorporating the new business, the Group has three reportable operating segments and the corresponding items of segment information for the six months ended 30 June 2012 has been restated as follows:

	Six months ended 30 June 2013 (Unaudited)				
	Terminals *RMB'000*	**Networks** *RMB'000*	**Signal transmission and connectivity products** *RMB'000*	**Eliminations** *RMB'000*	**Consolidated** *RMB'000*
Revenue	**167,115**	**331,340**	**820,348**	**–**	**1,318,803**
Results					
Segment (loss)/profit	**19,099**	**53,747**	**(64,180)**	**–**	**8,666**
Other income and gains					**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)**

	Six months ended 30 June 2012 (Unaudited) (Restated)				
	Terminals *RMB'000*	Networks *RMB'000*	Signal transmission and connectivity products *RMB'000*	Eliminations *RMB'000*	Consolidated *RMB'000*
Revenue	–	140,751	1,030,846	–	1,171,597
Results					
Segment (loss)/profit	(2,765)	12,088	19,862	–	29,185
Unallocated administrative expenses					(761)
Other unallocated expenses					(441)
Finance costs					(983)
Profit before tax					27,000
Income tax credit					1,108
Profit for the period					28,108

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 reporting period.

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Revenue		
Terminals	**167,115**	–
Networks	**331,340**	140,751
Signal transmission and connectivity products	**820,348**	1,030,846
	1,318,803	1,171,597

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Other income and gains		
Bank and other interest income	**1,486**	616
Government grants released	**4,499**	3,764
Discounted amount of other borrowings arising from the passage of time	**7,522**	–
Foreign exchange differences, net	**1,244**	872
Fair value gains, net		
Commodity derivative contracts and cancellable foreign currency forward swaps contracts	**2,225**	9,877
Changes in fair value of the contingent consideration in respect of acquisition of Rituo Automotive	**–**	10,438
Others	**151**	–
	17,127	25,567

5. FINANCE COSTS

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Interest on bank and other borrowings wholly repayable within five years	**30,234**	28,292
Interest on promissory note	**10,908**	–
Less: Interest capitalised	**(1,439)**	(4,914)
	39,703	23,378

6. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Cost of inventories sold	**1,114,772**	993,712
Cost of services provided	**30,835**	–
Depreciation	**28,339**	27,862
Amortisation of prepaid land lease payments	**922**	554
Amortisation of intangible assets	**14,819**	12,416
Impairment of property, plant and equipment	**1,772**	3,124
Impairment of trade and other receivables	**106**	93
Auditors' remuneration	**575**	727
Research and development costs*	**43,627**	39,691
Government grants released	**(4,499)**	(3,764)
Employee benefit expenses (including directors' and chief executive's remuneration)		
— Wages and salaries	**158,464**	158,426
— Equity-settled share option expense	**186**	3,574
— Pension scheme contributions	**8,426**	5,770
	167,076	167,770
Foreign exchange differences, net	**(1,244)**	(872)
Write-down of inventories to net realisable value	**2,132**	2,061
Loss/(gain) on disposal of items of property, plant and equipment	**1,687**	(654)
Bank and other interest income	**(1,486)**	(616)
Loss on disposal of a subsidiary	**396**	–

* *Inclusive of amortisation of intangible assets*

7. INCOME TAX

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Current income tax	**8,148**	8,173
Deferred income tax	**5,720**	(9,281)
Total tax charge/(credit) for the period	**13,868**	(1,108)

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.

No provision for Hong Kong profits tax has been made as the Group has no assessable profits arising in Hong Kong during the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

The statutory tax rate of Honglin Technology Co., Ltd., ("Honglin Technology"), a company established in Taiwan, is 17% for both the six months ended 30 June 2012 and 2013. No provision for Taiwan income tax has been made as Honglin Technology did not have any taxable income for the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).

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	**2013**	2012
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%
常熟泓淋電子有限公司 ("常熟電子") Changshu Honglin Electronic Co., Ltd.* ("Changshu Electronic")	**15.0%**	12.5%
常熟泓淋電線電纜有限公司 ("常熟電纜") Changshu Honglin Wire & Cable Co., Ltd.* ("Changshu Cable")	**15.0%**	15.0%
常熟泓淋連接技術有限公司 ("常熟連接技術") Changshu Honglin Connecting-Technology Co., Ltd.* ("Connecting-Technology")	**15.0%**	12.5%
德州泓淋電子有限公司 ("德州電子") Dezhou Honglin Electronic Co., Ltd.* ("Dezhou Electronic")	**15.0%**	15.0%
重慶市泓淋科技有限公司 ("重慶科技") Chongqing Honglin Technology Co., Ltd.* ("Chongqing Technology")	**15.0%**	15.0%
瀋陽新郵通信設備有限公司 ("中國公司") Shenyang New Postcom Co., Ltd.* (the "PRC Company")	**15.0%**	15.0%

* *For identification purpose only.*

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2013, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2012: Nil).

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

The calculation of the basic (loss)/earnings per share amount is based on the consolidated (loss)/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 2012: 720,000,000) in issue during the period.

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Consolidated (loss)/profit attributable to ordinary equity holder of the parent *(RMB'000)*	**(42,163)**	33,943
Weighted average number of ordinary shares in issue *('000)*	**720,000**	720,000
(Loss)/earnings per share:		
Basic and diluted	**(5.86 RMB cents)**	4.71 RMB cents

Diluted (loss)/earnings per share is the same as basis (loss)/earnings per share as there were no potential dilutive shares in existence during the six months ended 30 June 2013 and 30 June 2012.

10. TRADE AND BILLS RECEIVABLES, LONG-TERM TRADE RECEIVABLES

	30 June	31 December
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Trade receivables	**1,269,309**	1,326,783
Impairment	**(2,586)**	(4,419)
Trade receivables, net	**1,266,723**	1,322,364
Less: Non-current portion of trade receivables	**–**	(8,598)
Current portion of trade receivables	**1,266,723**	1,313,766
Bills receivable	**57,552**	39,768
	1,324,275	1,353,534

10. TRADE AND BILLS RECEIVABLES, LONG-TERM TRADE RECEIVABLES (Continued)

Trade receivables of the Group represented proceeds receivable from sale of goods and rendering of service. 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, 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 and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are interest-free and unsecured.

An ageing 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 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Unaudited) (Restated)
Within 3 months	**839,750**	946,814
3 to 6 months	**95,903**	251,609
6 to 12 months	**207,679**	8,614
1 to 2 years	**8,552**	26,741
Over 2 years	**114,839**	88,586
	1,266,723	1,322,364
Less: current portion	**(1,266,723)**	(1,313,766)
Non-current portion	**–**	8,598

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

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Unaudited) (Restated)
Opening balance	**4,419**	1,239
Acquisition of a subsidiary	**–**	502
Provision for impairment losses	**–**	2,901
Written off	**(1,833)**	(223)
Closing balance	**2,586**	4,419

10. TRADE AND BILLS RECEIVABLES, LONG-TERM TRADE RECEIVABLES (Continued)

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Within 6 months	**57,552**	39,768

11. TRADE AND BILLS PAYABLES, OTHER LONG-TERM PAYABLES

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Within 3 months	**511,836**	391,376
3 to 12 months	**104,560**	193,418
1 to 2 years	**54,406**	40,506
Over 2 years	**17,588**	378
	688,390	625,678
Less: current portion	**(688,390)**	(617,981)
Non-current portion	**–**	7,697

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

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Within 3 months	**21,992**	23,891
3 to 6 months	**27,332**	24,551
	49,324	48,442

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

As a result of the Rosy Sun Acquisition, the Group changed the structure of its internal organisation in a manner that caused the composition of its reportable segments to change. Based on the new internal organization incorporating the new business, the Group has three reportable operating segments and the corresponding revenue of each segment for the six months ended 30 June 2012 has been restated as follows:

	Six months ended 30 June				
	2013		2012		
	Revenue	**% of Revenue**	Revenue	% of Revenue	Change in %
	RMB'000	**(Approximate)**	*RMB'000*	(Approximate)	(Approximate)
Signal transmission and connectivity products	**820,348**	**62.2**	1,030,846	88.0	(20.4)
Networks	**331,340**	**25.1**	140,751	12.0	135.4
Terminals	**167,115**	**12.7**	–	–	N/A
Total	**1,318,803**	**100.0**	1,171,597	100.0	12.6

Total revenue increased by approximately RMB147.2 million for the six months ended 30 June 2013, or approximately 12.6% as compared to the corresponding period in 2012, amounting to approximately RMB1,318.8 million and within which approximately RMB498.5 million of the total revenue was contributed by the Newly Acquired Business. As for the Original Business, the revenue recorded a decrease of approximately RMB210.5 million for the six months ended 30 June 2013, or approximately 20.4% as compared to the revenue for the six months ended 30 June 2012, mainly due to the negative effects caused by the challenging operating environment, resulting in the decline of the procurement amount from customers of the Group and the decrease in average selling price of the products of the Group, especially the relatively traditional products, such as external signal cable assembly, internal signal cable assembly, connectors and antennas.

The continuing challenges and uncertainties in the global economy and the computing and consumer electronics industries had severely affected our business. The Group has also been proactively adjusting its business strategy by redressing its business portfolio, tightening credit and cost control and scaling back capital expenditure in certain areas to better manage our operations. Looking forward, the Company will keep reviewing its business scale and portfolio cautiously and focus on putting resources into businesses with stronger profitability and better market prospects to get rid of the loss status and hope to enhance its profitability in the near future.

Signal Transmission and Connectivity Products

	Six months ended 30 June				
	2013		2012		
	Revenue *RMB'000*	**% of Revenue (Approximate)**	Revenue *RMB'000*	% of Revenue (Approximate)	Change in % (Approximate)
External signal cable assembly	**176,679**	**21.5**	205,404	19.9	(14.0)
Internal signal cable assembly	**175,801**	**21.4**	210,575	20.4	(16.5)
Power cord assembly	**189,172**	**23.1**	176,859	17.2	7.0
Signal transmission wire and cable	**185,287**	**22.6**	272,240	26.4	(31.9)
Connectors	**13,504**	**1.6**	14,499	1.4	(6.9)
Antennas	**23,564**	**2.9**	23,489	2.3	0.3
Automotive wiring harness	**41,087**	**5.0**	87,463	8.5	(53.0)
Others	**15,254**	**1.9**	40,317	3.9	(62.2)
Total	**820,348**	**100.0**	1,030,846	100.0	(20.4)

Signal Transmission and Connectivity Products Segments recorded a total revenue of approximately RMB820.3 million for the six months ended 30 June 2013, which decreased by approximately RMB210.5 million, or approximately 20.4% as compared to the corresponding period in 2012 primarily due to (i) sales of external and internal signal cable assembly dropped by approximately 14.0% and 16.5% respectively due to the reduction of their unit selling price as a result of the fierce competition and weak operating environment and the decrease of sales volume in line with the decrease of market demands on such relatively traditional products; (ii) sales of power cord assembly increased by approximately 7.0% as compared to the corresponding period in 2012 due to our ability to earn more market share from our existing customers with our halogen-free products which has not been affected by the overall trend of the decrease in the unit selling price in the computing and consumer electronics industries; (iii) revenue of our signal transmission wire and cable decreased by approximately 31.9% due to significant drop of sales of our communication and consumer electronics cable, while this drop has somewhat been offset by the increase of other products within this category, namely power cable and specialty power cable; and (iv) revenue of our automotive wiring harness decreased by approximately 53.0% due to negative effects of the relocation of the production base, while we believe that sales in automotive wiring harness will be getting better along with the construction and perfection of this base.

Networks

Networks business segment mainly include network equipment such as CN, WLAN, IPRAN and Xpon, and the installation, maintenance and upgrade of the network equipment and/or wireless network optimization on the existing wireless network systems of the three major telecommunication services providers in the PRC. The Group entered into the network business markets after the completion of the Rosy Sun Acquisition. As at 30 June 2013, the Group mainly provide IPRAN and Xpon and network services to three major telecommunication services providers in the PRC and wireless smart park projects which combined the WLAN access system and wireless monitor system to a major manufacture corporate of heavy machineries and equipments in the PRC. Revenue of the networks business segment for the six months ended 30 June 2013 were approximately RMB331.3 million, or representing approximately 25.1% of the total revenue of the Group.

Terminals

Main products of terminals segment are cell phones which can run on 3G networks such as CDMA2000 and TD-SCDMA and the newly emerged telematics terminals. The Group entered into the terminals markets after the completion of Rosy Sun Acquisition. As at 30 June 2013, the Group mainly provide cell phones and telematics terminals to the PRC cell phone distributors and vehicle manufactures. Revenue of the terminals segment for the six months ended 30 June 2013 were approximately RMB167.1 million, or representing approximately 12.7% of the total revenue of the Group.

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				
	2013		2012		
	***RMB'000* (Unaudited)**	**% of Total cost of sales (Approximate)**	*RMB'000* (Unaudited)	% of Total cost of sales (restated) (Approximate)	Change in % (Approximate)
Raw material costs	**917,344**	**79.6**	783,215	78.4	17.1
Utilities	**13,495**	**1.2**	13,159	1.3	2.6
Depreciation	**16,938**	**1.5**	16,927	1.7	0.1
Labor Cost	**122,561**	**10.6**	117,005	11.7	4.7
Outsourcing costs	**64,448**	**5.6**	51,681	5.2	24.7
Others	**18,248**	**1.5**	17,360	1.7	5.1
	1,153,034	**100.0**	999,347	100.0	15.4

Among the total cost of sales of the Group, approximately RMB433.3 million was attributable to the Newly Acquired Business, among which approximately RMB363.7 million was attributable to the raw material costs, representing approximately 83.9% of the total cost of sales of the Newly Acquired Business. Approximately RMB719.7 million was attributable to the Original Business, among which approximately RMB553.6 million was attributable to the raw material costs, representing approximately 76.9% of the total cost of sales of the Original Business.

Cost of sales increased by approximately RMB153.7 million for the six months ended 30 June 2013, or representing an increase of approximately 15.4% as compared to the corresponding period in 2012. The increase was primarily due to: (i) increase of cost of sales attributable to the Newly Acquired Business was approximately RMB301.9 million; and (ii) cost of sales of the Original Business were decreased by approximately RMB148.2 million, or approximately 17.1%, as compared to the first half of 2012, which was mainly as a result of the drop in the total sales volume.

Gross Profit and Margin

	Six months ended 30 June				
	2013		2012		
	Gross profit *RMB'000*	**Gross profit margin** *(%)* **(Approximate)**	Gross profit *RMB'000*	Gross profit margin *(%)* (Approximate)	Change in %
Signal transmission and connectivity products	**100,614**	**12.3**	162,927	15.8	(38.2)
Networks	**43,440**	**13.1**	9,323	6.6	366.0
Terminals	**21,715**	**13.0**	–	–	N/A
Total	**165,769**	**12.6**	172,250	14.7	(3.8)

The Group's gross profit for the six months ended 30 June 2013 amounted to approximately RMB165.8 million, representing a decrease of approximately RMB6.5 million as compared to the six months ended 30 June 2012. There was also a decrease of approximately 2.1% in gross profit margin for the six months ended 30 June 2013 as compared to the six months ended 30 June 2012. Gross profit generated from the Newly Acquired Business was approximately RMB65.2 million. Gross profit generated from the Original Business decreased from approximately RMB162.9 million for the six months ended 30 June 2012 to approximately RMB100.6 million for the six months ended 30 June 2013, representing a decrease of approximately 38.2%. Such decrease of gross profit from the Original Business was mainly due to (i) the decline in the average selling price across some of the Group's relatively more traditional products, such as external signal cable assembly, internal signal cable assembly, connectors and antennas, along with increasingly fierce competition and the weakened demand from the Group's major customers for the six months ended 30 June 2013; and (ii) overall rise in labor and outsourcing costs.

Other Income and Other Gains

The Group recorded other income and gains of approximately RMB17.1 million for the six months ended 30 June 2013, among which approximately RMB4.5 million was the government grants we obtained during the reporting period, approximately RMB1.5 million was bank and other interests income, approximately RMB7.5 million was discounted amount of other borrowings arising from the passage of time and approximately RMB2.2 million was the net positive changes in fair value of our commodity derivative contracts; we also recorded approximately RMB1.2 million net foreign exchange gains from the promissory note (issued by the Company to Mr. Chi on 31 January 2013) and other operating activities of the Group.

Other Expenses

Other expenses was approximately RMB4.2 million for the six months ended 30 June 2013, which was primarily attributable to losses from disposal of property, plant and equipment and impairment loss recognized in respect of property, plant and equipment.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB20.7 million for the six months ended 30 June 2013, or approximately 63.8%, as compared to the corresponding period in 2012. Distribution and selling expenses attributable to the increase from the Newly Acquired Business was approximately RMB12.1 million. Distribution and selling expenses for the Original Business increased by approximately RMB8.6 million, or approximately 26.7%, as compared to the corresponding period in 2012, which was mainly due to, among others, (i) transportation expenses increased by approximately RMB2.2 million, or approximately 18.6% as compared to the first half of 2012, which was mainly as a result of the increase in the marketing activities and the surge in fuel price; (ii) staff cost increased by approximately RMB1.6 million, or approximately 16.6% as compared to the first half of 2012, mainly as a result of the rise in the number of our sales person and the staff salaries in line with the inflation; and (iii) entertainment expenses increased by approximately RMB1.8 million, or approximately 37.9% as compared to the first half of 2012, mainly as a result of the increase in sales and marketing activities.

Administration and General Expenses

Administration and general expenses increased by approximately RMB7.0 million for the six months ended 30 June 2013, or approximately 11.0%, as compared to the corresponding period in 2012. Administration and general expenses attributable to the increase from the Newly Acquired Business was approximately RMB15.7 million. Administration and general expenses for the Original Business were decreased by approximately RMB8.7 million, or approximately 13.8% as compared to the first half of 2012 mainly due to, among others, (i) the staff cost and the amortization of the employee's share scheme dropped by approximately RMB8.6 million and 3.4 million, or approximately 29.4% and 94.8% respectively as compared to the first half of 2012, which was mainly as a result of our better control over the mass recruitment of administration staff during the tough time and the expiry of most of employee's share; and (ii) audit and professional fees increased by approximately RMB4.6 million, or approximately 257.2%, as compared to the first half of 2012 mainly due to mass audit and professional fees occurred during the Rosy Sun Acquisition and the Sumptuous Wealth Disposal.

Research and Development Expenses

Research and development expenses increased by approximately RMB3.9 million for the six months ended 30 June 2013, or approximately 9.9%, as compared to the corresponding period in 2012, which was mainly attributable to the Newly Acquired Business as a result of the expansion of its research and development in terms of scale.

Financial Costs

Finance costs increased by approximately RMB16.3 million for the six months ended 30 June 2013, or approximately 69.8%, as compared to the corresponding period in 2012, which was mainly due to the financial costs from the Newly Acquired Business.

Income Tax Expense

We incurred income tax expense of approximately RMB13.9 million for the six months ended 30 June 2013 primarily due to (i) the current PRC Enterprise Income Tax expense occurred from the Newly Acquired Business of approximately RMB6.1 million and current withholding tax from the Original Business of approximately RMB2.1 million relating to profit distribution to the Company; and (ii) deferred tax of approximately RMB5.7 million. On an overall basis, the Group's effective tax rate in the first half of 2013 was -48.4%, contrasting to -4.1% in the first half of 2012.

(Loss)/Profit for the Period

Loss for the six months ended 30 June 2013 of the Group was approximately RMB42.5 million even after combining the net profit of approximately RMB29.4 million from the Newly Acquired Business. The loss for the six months ended 30 June 2013 from the Original Business was approximately RMB71.9 million which was primarily due to (i) the decrease in gross profit for the six months ended 30 June 2013; (ii) the increase in operating expenses relating to selling and distribution and research and development expenses along with the Group's continued efforts on developing new products and exploring new markets; and (iii) impairment loss on property, plant and equipment and inventories recognised during the six months ended 30 June 2013 since their recoverable amount or net realizable value was less than their carrying amount.

Liquidity and Financial Resources

The Group will continue to implement prudent financial management policies and maintain a reasonable gearing ratio during its operation. As at 30 June 2013, the Group's gearing ratio was approximately 31.3% (30 June 2012: approximately 31.4%).

As at 30 June 2013, the total bank and other borrowings of the Group amounted to approximately RMB1,085.9 million (31 December 2012: approximately RMB1,065.8 million). These loans carried interests at floating or fixed rates. For the total bank and other borrowings of approximately RMB1,085.9 million, approximately RMB557.7 million was secured loans.

The bank and other borrowings from Newly Acquired Business decreased by approximately RMB40.4 million due to the repayment of loans in the first half of 2013. Apart from the above effect caused by the Newly Acquired Business, the bank and other borrowings increased by approximately RMB60.5 million, which was mainly attributable to the investments in new factories and production facilities in Weihai, Dezhou and Huizhou bases and the general working capital requirements.

Save as aforesaid or as otherwise disclosed in this interim results announcement, and apart from intragroup liabilities, the Company did not have outstanding at the close of business on 30 June 2013, 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 2013 as at the date of this interim results announcement.

Foreign Currency Risk

As certain of our trade and other receivables, trade and other payables and bank borrowings of the Group are denominated in foreign currency, hence exposure to exchange rate fluctuation arises. The Group had entered into certain foreign exchange forward contracts to mitigate its foreign currency exposure.

Working Capital

Inventories balance as at 30 June 2013 was approximately RMB400.1 million (31 December 2012: approximately RMB327.4 million). Apart from the increase of approximately RMB18.9 million from the Newly Acquired Business, the inventories balance from Original Business increased by approximately RMB53.7 million, which was mainly due to special strategy preparation of Weihai base to its customers. The average turnover days for inventories stood at 57 days as at 30 June 2013 (30 June 2012: 56 days).

Trade and bills receivables balance as at 30 June 2013 was approximately RMB1,324.3 million (31 December 2012: approximately RMB1,353.5 million). Apart from the increase of trade and bills receivables of approximately RMB63.8 million from the Newly Acquired Business, the trade and bills receivables from Original Business decreased by approximately RMB93.1 million which was mainly due to that we accelerated the recovery of trade and bills receivables proactively during the tough time and the decrease of revenue for this period. The average turnover days for trade and bills receivables stood at 183 days (30 June 2012: 174 days). As at 30 June 2013, approximately 65.5% of our trade and bills receivables were due within three months.

Trade and bills payables balance as at 30 June 2013 was approximately RMB737.7 million (31 December 2012: approximately RMB666.4 million). Apart from the increase of approximately RMB60.3 million from the Newly Acquired Business, the trade and bills payables from Original Business decreased by approximately RMB11.0 million which was mainly due to the drop of procurement volume. The average turnover days for trade and bills payables stood at 110 days as at 30 June 2013 (30 June 2012: 96 days) which was mainly due to the increased proportion of trade and bills payables from Newly Acquired Business with relatively longer payment credit period.

Our cash conversion cycle for the six months ended 30 June 2013 was 130 days as compared to 134 days for the six months ended 30 June 2012.

Cash Flows

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited) (Restated)
Net cash from/(used in) operating activities	**44,581**	(12,748)
Net cash used in investing activities	**(55,112)**	(81,200)
Net cash from financing activities	**22,577**	140,313

For the six months ended 30 June 2013, our cash flows have been improved greatly. Net cash from operating activities for the six months ended 30 June 2013 was approximately RMB44.6 million, whereas net cash used in operating activities for the six months ended 30 June 2012 was approximately RMB12.7 million. The improvement on operating cash flows condition were primarily due to the decrease in trade and bills receivables.

Net cash used in investing activities for the six months ended 30 June 2013 of approximately RMB55.1 million was primarily attributable to investments in new factories and production facilities in Weihai, Dezhou and Huizhou bases.

Net cash from financing activities for the the six months ended 30 June 2013 amounted to approximately RMB22.6 million, which was primarily attributable to the increase in bank borrowings.

Capital Expenditure

For the six months ended 30 June 2013, the Group incurred total capital expenditure of approximately RMB61.7 million (among which approximately RMB8.8 million was generated by the Newly Acquired Business) (30 June 2012: approximately RMB106.2 million) in construction of new factories, research and development center, the purchase of land, plant and machinery, equipment and computer systems.

Capital Commitments

As at 30 June 2013, the Group had capital commitments of approximately RMB34.4 million in respect of acquisition of property, plant and equipment. As at 31 December 2012, the Group had capital commitment of approximately RMB64.2 million and approximately RMB533.1 million in respect of acquisition of property, plant and equipment, and in respect of acquisition of equities respectively.

Employees

As at 30 June 2013, subsidiaries attributable to the Original Business had a total of 9,429 full time staff, of which 3,145 were direct employees (30 June 2012: 3,626) and 5,026 were contract workers (30 June 2012: 5,960). As at 30 June 2013, we also had 1,258 part time interns (30 June 2012: 1,274). All contract workers and part time interns were mainly deployed in production, the breakdown of direct employees of subsidiaries attributable to the Original Business as at 30 June 2013 and 2012 is as follows:

	As at 30 June 2013	As at 30 June 2012
Manufacturing	**1,240**	1,558
Sales and marketing	**292**	253
General and administration	**773**	809
Research and Development	**252**	393
Quality control	**588**	613
Total	**3,145**	3,626

The breakdown of direct employees attributable to the Newly Acquired Business as at 30 June 2013 and 2012 is as follow:

	As at 30 June 2013	As at 30 June 2012
Manufacturing	**102**	231
Sales and marketing	**366**	17
General and administration	**78**	93
Research and development	**63**	43
Quality control	**30**	17
Total	**639**	401

Use of Proceeds Raised from the Global Offering

The net proceeds from the global offering of the Company (the "Global Offering"), after deducting the relevant cost were approximately HK$470.3 million (equivalent to approximately RMB400.7 million). As at 30 June 2013, the Company utilised the proceeds of approximately RMB317.7 million to the Group's new development projects, research and development and working capital in line with the disclosure in the prospectus of the Company. The Directors do not anticipate any substantial changes to its plan on the use of proceeds as stated in the prospectus of the Company.

As at 30 June 2013, proceeds used on projects are generally analyzed as follows:

Projects	**Accumulated use of proceeds Estimated amount** *RMB (million)*	**Accumulated expenses** *RMB (million)*
Expanding production capacity of existing products	**160.3**	**110.8**
Development and production of new products	**176.3**	**142.8**
Research and development investment	**24.0**	**24.0**
General working capital and other general corporate purposes	**40.1**	**40.1**
Total	**400.7**	**317.7**

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF ROSY SUN

On 28 October 2012, the Company entered into a sale and purchase agreement (the "S&P Agreement of Rosy Sun") with Mr. Chi for the Rosy Sun Acquisition.

Pursuant to the S&P Agreement of Rosy Sun (as supplemented by the supplemental agreement entered into between the Company and Mr. Chi dated 28 December 2012), Mr. Chi had conditionally agreed to sell and the Company had conditionally agreed to purchase the entire issued share capital of Rosy Sun (the "Sale Shares") and the loan or debt (if any) owing by Rosy Sun, New Postcom Technology Company Limited (the "HK Company") or the PRC Company to Mr. Chi at a consideration of HK$650.0 million (the "Acquisition Consideration"). The Acquisition Consideration was determined after arm's length negotiations between Mr. Chi and the Company after taking into account a number of factors including the business nature, the business prospects, net assets value of Rosy Sun, the HK Company and the PRC Company as at 30 June 2012, performance of the PRC Company, the profit guarantee given by Mr. Chi to the Company that, subject to the terms of the S&P Agreement of Rosy Sun, the net profit of the PRC Company for the financial year ending 31 December 2013 shall be not less than RMB85.0 million, and the preliminary estimation of the fair value of the PRC Company of approximately HK$700.0 million pursuant to the business valuation carried out by an independent valuer under the market approach using the relevant forward price to earnings multiples and relevant forecast earnings of the PRC Company for the year ended 31 December 2012.

The PRC Company is a wholly foreign owned enterprise established in Shenyang, Liaoning Province, the PRC, which is wholly owned by the HK Company. The HK Company is an investment holding company incorporated in Hong Kong, which is wholly owned by Rosy Sun. Rosy Sun is an investment holding company incorporated in the British Virgin Islands.

The PRC Company is principally engaged in (i) the research and development, manufacturing and sale of cell phones, which can run on 2G and/or 3G networks such as GSM, IS-95, CDMA2000 and TD-SCDMA in the PRC; (ii) the sale of network equipment to three major telecommunication services providers in the PRC, such as core network equipment, IPRAN and xPON; and (iii) the provision of services to the three major telecommunication services providers in the PRC, such as the installation, maintenance and upgrade of the network equipment and/or wireless network optimization in their existing network systems.

The Rosy Sun Acquisition constitutes a major transaction of the Company under Chapter 14 of The Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Chi is the controlling shareholder of the Company, an executive Director and the chairman of the Company who is interested in approximately 40.87% interests of the Company, thus Mr. Chi is considered as a connected person of the Company and the Rosy Sun Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 31 January 2013, all conditions precedent under the S&P Agreement of Rosy Sun (including approval of independent shareholders of the Company at the general meeting held on 28 January 2013) have been fulfilled, and completion of the Rosy Sun Acquisition took place on 31 January 2013. In accordance with the S&P Agreement of Rosy Sun, the Company issued a promissory note in the amount of HK$650 million to Mr. Chi in satisfaction of the Acquisition Consideration.

Details of the Rosy Sun Acquisition have been set out in the announcements dated 30 October 2012, 19 November 2012, 17 December 2012, 28 December 2012, 28 January 2013 and 31 January 2013 respectively and the circular dated 31 December 2012 published by the Company.

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF RITUO AUTOMOTIVE AND THE ACQUISITION OF RITUO TECHNOLOGY

Rituo Automotive and Rituo Technology (collectively, the "Tianjin Rituo Group") were acquired by Weihai Electronic, a wholly owned subsidiary of the Company on 21 February 2011 and it has been non-wholly owned as to 55% by the Company. Pursuant to the terms of the acquisition, if the aggregate amount of the audited net profit after tax of Tianjin Rituo Group for the two years ending 31 December 2012 is less than RMB40.0 million as guaranteed by Wang Xiang and Wang Weiguo (collectively referred to as the "Tianjin Rituo Founders"), the Tianjin Rituo Founders shall pay Weihai Electronic 34.4% of the difference between the actual profit and the abovementioned guaranteed profit, and Weihai Electronic will have to contribute such sum back into Tianjin Rituo Group through increasing the registered capital of Rituo Automotive, while the Tianjin Rituo Founders will proportionally contribute capital to Rituo Automotive according to the sum that Weihai Electronic contributed.

On 20 November 2012, Weihai Electronic entered into a disposal agreement (the "Disposal Agreement") with, among others, Wang Xiang (one of the Tianjin Rituo Founders) pursuant to which Weihai Electronic agreed to sell, and Wang Xiang agreed to purchase 55% equity interests in Rituo Automotive (the "Rituo Disposal") at the consideration of RMB58.6 million (equivalent to approximately HK$70.3 million), which was determined primarily with reference to: (i) the operating situation at Rituo Automotive; (ii) the non-exercise of the relevant profit guarantee; (iii) the amount of such consideration representing a 30.8% premium to the 55% proportionate net asset value of Rituo Automotive as at 31 October 2012; and (iv) the amount of capital contribution injected by Weihai Electronic into Rituo Automotive in February 2011, which was made reference to factors including but not limited to the relevant profit guarantee.

On the same day, Weihai Electronic entered into an acquisition agreement (the "Acquisition Agreement") with, among others, Rituo Automotive, pursuant to which Rituo Automotive agreed to sell and Weihai Electronic agreed to purchase 100% equity interest in Rituo Technology (the "Rituo Acquisition") at the consideration of RMB15.0 million (equivalent to approximately HK$18.0 million). The consideration was determined by reference to, among other things, the total amount Rituo Automotive invested into Rituo Technology and the net asset value of Rituo Technology as at 31 October 2012.

Rutio Technology is principally engaged in the design, research and development, manufacture and sale of automotive wiring harness products to end PRC automobile customers.

The Rituo Disposal and the Rituo Acquisition, when aggregated, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Wang Xiang holds more than 30% of the registered capital of Rituo Automotive at the relevant time and is a director of Rituo Automotive immediately before and after the Rituo Disposal, and within the preceding 12 months from the entering into of the Disposal Agreement and the Acquisition Agreement. Accordingly, both Wang Xiang and Rituo Automotive are connected persons of the Company and each of the Rituo Disposal and the Rituo Acquisition constitutes a connected transaction of the Company, and, when aggregated, is a connected transaction which is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

On 19 December 2012, Weihai Electronic and Wang Xiang entered into a supplemental agreement to the Disposal Agreement pursuant to which (i) Weihai Electronic and Wang Xiang agreed to extend the date of payment by Wang Xiang of the consideration under the Disposal Agreement (the "Disposal Consideration") from 31 December 2012 to 31 March 2013; and (ii) if Wang Xiang fails to pay the Disposal Consideration in full by 31 March 2013, he would also pay interest equivalent to 10% above the benchmark interest rate on loans over the same period as announced by the People's Bank of China which has been accrued on the balance of the Disposal Consideration. On the same day, Weihai Electronic and Rituo Automotive entered into a supplemental agreement to the Acquisition Agreement pursuant to which Weihai Electronic and Rituo Automotive agreed to extend the date of payment by Weihai Electronic of the consideration under the Acquisition Agreement from 31 December 2012 to 31 March 2013.

The aggregate amount of the audited net profit of Tianjin Rituo Group after taxation and extraordinary items for the year ended 31 December 2011 was approximately RMB2.6 million and the loss after taxation and extraordinary items for the ten months ended 31 October 2012 was approximately RMB17.2 million (based on which the Rituo Disposal was effected) which was less than RMB40.0 million guaranteed by the Tianjin Rituo Founders. the Directors decided that Weihai Electronic will not exercise the rights under the relevant profit guarantee after the completion of the Rituo Disposal taking into account the following factors: (i) the exercise of rights under the profit guarantee would only result in a one-time non-operating gain in the income statement of the Company but not providing cash flow to the Group; (ii) the negative effect of non-exercise of the rights under the relevant profit guarantee had been taken into account when determining the consideration of the Rituo Disposal; and (iii) the Directors confirm that the non-exercise of the rights under the relevant profit guarantee will not have any other material negative financial effects to the Company.

On 7 January 2013, Weihai Electronic, Rituo Automotive and the Tianjin Rituo Founders entered into a profit guarantee cancellation agreement in which the parties agreed to cancel the relevant profit guarantee officially.

On 12 January 2013, the resolutions for approving the Rituo Disposal and the Rituo Acquisition were passed by the independent shareholders of the Company.

Details of the Rituo Disposal and the Rituo Acquisition have been set out in the announcements dated 20 November 2012, 11 December 2012, 19 December 2012 and 12 January 2013 and the circular dated 24 December 2012 published by the Company.

CONTINUING CONNECTED TRANSACTION IN RELATION TO THE PURCHASE AGREEMENT WITH RITUO AUTOMOTIVE

On 12 January 2013, Rituo Technology, a wholly-owned subsidiary of the Company, entered into the purchase agreement with Rituo Automotive (the "Purchase Agreement"), pursuant to which Rituo Technology has agreed to purchase, and Rituo Automotive has agreed to sell imported raw materials such as sheathing and terminals* (護套和端子) used for wire harness assembly. The Purchase Agreement is valid for 12 months from 12 January 2013 to 11 January 2014, and the annual consideration for the transactions contemplated thereunder shall not be more than RMB18.0 million (equivalent to approximately HK$21.6 million).

Rituo Automotive was a non-wholly owned subsidiary of the Company immediately before the Rituo Disposal and Wang Xiang was a director of Rituo Automotive immediately before the Rituo Disposal, and within the preceding 12 months from the entering into of the Purchase Agreement, thus a connected person of the Company. Upon completion of the Rituo Disposal on 12 January 2013, Rituo Automotive is owned as to 86.5% by Wang Xiang, thus an associate of Wang Xiang. Therefore, Rituo Automotive is considered as a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Purchase Agreement with the Company constitute continuing connected transaction which are exempt from the independent shareholders' approval requirement and are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Details of the Purchase Agreement have been set out in the announcement dated 12 January 2013 published by the Company.

* *For identification purpose only.*

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF WEIHAI JINYUAN

On 22 March 2013, Weihai Electronic, a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with 北京錦源銘業房地產開發有限公司 (Beijing Jinyuan Mingye Property Development Co., Ltd.*, "Beijing Jinyuan"), an independent third party, and Mr. Miao Junjie (苗俊傑) ("Mr. Miao"), an independent third party, pursuant to which Weihai Electronic agreed to acquire, in aggregate, the entire equity interest in 威海錦源銘業房地產開發有限公司 (Weihai Jinyuan Mingye Property Development Co., Ltd.*, "Weihai Jinyuan") at the consideration of RMB6.0 million (equivalent to approximately HK$7.2 million) (the "Weihai Jinyuan Acquisition").

Weihai Jinyuan is a company established in the PRC with limited liability by Beijing Jinyuan and Mr. Miao on 16 July 2012. As at 22 March 2013, Weihai Jinyuan had a registered capital of RMB30.0 million (equivalent to approximately HK$36.0 million), among which RMB6.0 million (equivalent to approximately HK$7.2 million) had been paid up by Beijing Jinyuan. The equity interest of Weihai Jinyuan is owned as to 90% by Beijing Jinyuan and as to 10% by Mr. Miao. Weihai Jinyuan is principally engaged in the business activities in property development, sale of commercial housing, property services, estate information consultation, sale of construction materials, electronic hardware, instrument and apparatus, computer software, hardware and peripheral.

The Group expects to develop a large scale macromolecule research and development centre in Weihai in the near future. In order to attract and retain relevant talents, the Board intends that the Weihai Jinyuan Acquisition may allow the Group to provide dormitory and/or residential housing for its staff at a lower cost, and offer additional incentives and benefit to its staff.

The Weihai Jinyuan Acquisition, when aggregated with the directional property development cooperation agreement dated 16 August 2012 entered into between Weihai Electronic and Weihai Jinyuan, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements under the Listing Rules.

Details of the Weihai Jinyuan Acquisition have been set out in the announcement dated 22 March 2013 published by the Company.

VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF SUMPTUOUS WEALTH

On 9 June 2013, the Company entered into the S&P Agreement of Sumptuous Wealth with Jia Ya and Mr. Chi in relation to the Sumptuous Wealth Disposal.

Pursuant to the S&P Agreement of Sumptuous Wealth (as supplemented by a deed entered into among the Company, Jia Ya and Mr. Chi dated 24 June 2013), the Company has conditionally agreed to dispose of and Jia Ya has conditionally agreed to purchase the entire

* *For identification purpose only.*

issued share capital of Sumptuous Wealth from the Company at the consideration of HK$779 million (the "Consideration"), subject to adjustments equivalent to the relevant value difference and the relevant revaluation surplus, provided that the final Consideration shall not exceed HK$780 million and shall not be less than HK$580 million. The Consideration shall be satisfied by Jia Ya by way of procuring Mr. Chi (as holder of the promissory note in a principal amount of HK$650 million (the "Promissory Note") issued by the Company to Mr. Chi on 31 January 2013 to satisfy the consideration for the Rosy Sun Acquisition) setting off an amount equivalent to the Consideration outstanding under the Promissory Note upon completion of Sumptuous Wealth Disposal. The Consideration was arrived at after arm's length negotiations between the Company and Jia Ya. Parties to the S&P Agreement of Sumptuous Wealth further agreed that: (i) where the outstanding amount (including the principal and accrued interest (if any)) under the Promissory Note as at the date of completion of Sumptuous Wealth Disposal is lower than the final Consideration, Jia Ya shall pay to the Company in cash an amount equivalent to such difference upon completion of Sumptuous Wealth Disposal; and (ii) where the outstanding amount under the Promissory Note as at the date of completion of Sumptuous Wealth Disposal is higher than the final Consideration, the Company shall by way of prepayment pay to Mr. Chi (the guarantor for Jia Ya and as holder of the Promissory Note) in cash an amount equivalent to such difference upon completion of Sumptuous Wealth Disposal.

The Sumptuous Wealth Disposal and the transactions contemplated under the S&P Agreement of Sumptuous Wealth constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules. Besides, as Mr. Chi is the controlling shareholder of the Company, the chairman of the Company and an executive Director who is interested in approximately 40.87% interests of the Company, each of Mr. Chi and Jia Ya (being wholly-owned by Mr. Chi) is a connected person of the Company, and, thus the Sumptuous Wealth Disposal and the transactions contemplated under the S&P Agreement of Sumptuous Wealth also constitutes a connected transaction of the Company and is subject to the reporting, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Sumptuous Wealth Disposal was approved by the independent shareholders of the Company at the general meeting held on 16 July 2013.

Details of the Sumptuous Wealth Disposal have been set out in the announcements dated 9 June 2013, 24 June 2013 and 16 July 2013 and the circular dated 27 June 2013 published by the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2013, 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 2013 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 of the Board and chief executive officer ("CEO"). For the six months ended 30 June 2013, 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 CG Code. During the period under review, the Audit Committee has convened two meetings 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 consolidated interim financial statements and this announcement for the six months ended 30 June 2013.

The financial results for the six months ended 30 June 2013 have not been audited. The external auditors, Ernst & Young, has reviewed the unaudited consolidated interim financial statements for the six months ended 30 June 2013 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Equity" 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 2013.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013 (six months ended 30 June 2012: 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 2013.

CHANGE OF AUDITORS

Following the passing of the resolution by shareholders of the Company at the general meeting of the Company held on 29 May 2013, Ernst & Young were appointed as auditors of the Company until conclusion of the next annual general meeting of the Company.

CHANGE OF REGISTERED OFFICE

The registered office of the Company has been changed to Floor 4, Willow House, Cricket Square, P.O. Box 2804, Grand Cayman KY1-1112, Cayman Islands.

SUBSEQUENT EVENTS

On 16 July 2013, the independent shareholders of the Company approved the Sumptuous Wealth Disposal. Please also refer to the paragraph headed "Very substantial disposal and connected transaction in relation to the disposal of Sumptuous Wealth" above for further details.

In order to comply with the amendments to the Listing Rules in relation to the diversity of the Board, which shall come into effect on 1 September 2013, amendments to the written terms of reference of the nomination committee of the Company have been passed on 28 August 2013.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2013 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, 28 August 2013

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