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 2013

2013 FINANCIAL HIGHLIGHTS

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Revenue	**2,712,525**	2,513,955
Gross profit	**358,043**	329,359
Loss before tax	**(155,191)**	(42,794)
Loss for the year	**(180,211)**	(49,945)
Loss attributable to:		
— Owners of the parent	**(177,510)**	(35,680)
— Non-controlling interests	**(2,701)**	(14,265)
Loss per share		
— Basic and diluted (RMB cents)	**(24.65)**	(4.96)

* *For identification purposes only*

- For the year ended 31 December 2013, the Group recorded satisfactory results for the revenue from the Newly Acquired Business of approximately RMB1,047.0 million, representing a significant increase by approximately 80.4% as compared with that for the period from 13 June 2012 to 31 December 2012; while this increase was partially net off by the drop in the revenue from the Original Business by approximately 13.9% from that for the year ended 31 December 2012 to approximately RMB1,665.5 million. In conclusion, the total revenue for the year ended 31 December 2013 increased by approximately 7.9% from that for the year ended 31 December 2012 to approximately RMB2,712.5 million.

- Despite significant contribution to the profit for the year made by the Newly Acquired Business of approximately RMB71.6 million, the Group still recorded a loss for the year ended 31 December 2013 of approximately RMB180.2 million which was mainly due to (i) the continuing challenges and uncertainties in the global economies and the computer and consumer electronics industries which had severely affected the Group's business and caused a significant loss for the year from the Original Business of approximately RMB169.3 million; and (ii) the substantial notional interest expense of approximately RMB82.2 million incurred for the year ended 31 December 2013 mainly due to the early redemption of the promissory note (which was issued by the Company as the consideration for Rosy Sun Acquisition) as a result of the Sumptuous Wealth Disposal.

- Basic loss per share was RMB24.65 cents for the year ended 31 December 2013.

The board (the "Board") of directors (the "Directors") of HL Technology Group Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2013, together with comparative figures for the year ended 31 December 2012. The consolidated results of the Group for the year ended 31 December 2013 have been reviewed by the Company's audit committee.

The Rosy Sun Acquisition (further details of which are also set out in the paragraph headed "Major and Connected Transaction in Relation to the Rosy Sun Acquisition" below) is regarded as a business combination under common control of Mr. Chi Shaolin ("Mr. Chi"), a 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 ("Rosy Sun") from an independent third party. Thus, 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 years ended 31 December 2013 and 2012 include the results and cash flows of, among others, Rosy Sun and its subsidiaries from the earliest date presented or since the date when the subsidiaries first came under the common control of Mr. Chi, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2012 and 2013 have been prepared to present the assets and liabilities of the Group using the existing carrying values from the controlling shareholder'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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
CONTINUING OPERATIONS			
Revenue	4	**2,712,525**	2,513,955
Cost of sales		**(2,354,482)**	(2,184,596)
Gross profit		**358,043**	329,359
Other income and gains	4	**21,083**	41,105
Selling and distribution expenses		**(110,871)**	(79,378)
Administrative expenses		**(154,813)**	(144,551)
Research and development expenses		**(92,673)**	(83,198)
Other expenses		**(24,890)**	(44,486)
Finance costs	5	**(150,551)**	(61,645)
Share of loss of an associate		**(270)**	–
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	**(154,942)**	(42,794)
Income tax expense	7	**(25,020)**	(7,151)
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(179,962)**	(49,945)
DISCONTINUED OPERATION			
Loss for the year from a discontinued operation		**(249)**	–
LOSS FOR THE YEAR		**(180,211)**	(49,945)
Attributable to:			
Owners of the parent		**(177,510)**	(35,680)
Non-controlling interests		**(2,701)**	(14,265)
		(180,211)	(49,945)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic			
— For loss for the year		**RMB24.65 cents**	RMB4.96 cents
— For loss from continuing operations		**RMB24.64 cents**	RMB4.96 cents
Diluted			
— For loss for the year		**RMB24.65 cents**	RMB4.96 cents
— For loss from continuing operations		**RMB24.64 cents**	RMB4.96 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
LOSS FOR THE YEAR		**(180,211)**	(49,945)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(246)**	278
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(180,457)**	(49,667)
Attributable to:			
Owners of the parent		**(177,761)**	(35,402)
Non-controlling interests		**(2,696)**	(14,265)
		(180,457)	(49,667)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**31 December 2013 *RMB'000***	31 December 2012 *RMB'000* (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**429,220**	759,096
Prepaid land lease payments		**110,865**	86,750
Goodwill		**61,146**	61,146
Other intangible assets		**151,624**	181,049
Available-for-sale investments		**15,000**	15,000
Deferred tax assets		**3,274**	6,349
Prepayments for acquiring property, plant and equipment		**520**	13,843
Prepayments for acquiring land use rights		**10,087**	76,251
Long-term trade receivables	*10*	**–**	8,598
Total non-current assets		**781,736**	1,208,082
CURRENT ASSETS			
Inventories		**125,782**	327,404
Trade and bills receivables	*10*	**1,201,430**	1,353,534
Prepayments, deposits and other receivables	*11*	**230,189**	308,593
Derivative financial instruments		**–**	156
Pledged deposits		**16,064**	26,799
Cash and cash equivalents		**62,721**	144,082
		1,636,186	2,160,568
Assets of a disposal group classified as held for sale		**–**	137,625
Total current assets		**1,636,186**	2,298,193

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000 (Restated)
CURRENT LIABILITIES			
Trade and bills payables	*12*	**704,176**	666,423
Other payables and accruals	*13*	**234,815**	182,078
Interest-bearing bank and other borrowings		**625,206**	1,065,752
Tax payable		**34,767**	20,829
		1,598,964	1,935,082
Liabilities directly associated with the assets classified as held for sale		**–**	69,613
Total current liabilities		**1,598,964**	2,004,695
NET CURRENT ASSETS		**37,222**	293,498
TOTAL ASSETS LESS CURRENT LIABILITIES		**818,958**	1,501,580
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**8,614**	17,393
Other long-term payables	*12*	**–**	7,697
Government grants		**14,727**	13,955
Total non-current liabilities		**23,341**	39,045
NET ASSETS		**795,617**	1,462,535
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**97,401**	97,401
Reserves		**698,457**	1,329,937
		795,858	1,427,338
Non-controlling interests		**(241)**	35,197
Total equity		**795,617**	1,462,535

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 signal cable assembly, power cord assembly, signal transmission wire and cable products, connectors, antennas, automotive wiring harness, telecommunication products and other products and the provision of services for the 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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 Financial Statements - 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*
IAS 36 Amendments	Amendments to IAS 36 *Impairment of Assets - Recoverable Amount Disclosure for Non-Financial Asset* (early adopted)
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

Other than as further explained below regarding the impact of IFRS 10, IFRS 12, IFRS 13, IAS 19 (Revised), amendments to IFRS 10, IFRS 11, IFRS 12, IAS 1 and IAS 36, certain amendments included in *Annual Improvements 2009–2011 Cycle*, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

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

(a) IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in SIC 12 *Consolidation - Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in IFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by IFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of IFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group. The application of IFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) IFRS 12 sets out the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in IAS 27 *Consolidated and Separate Financial Statements*, IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

(c) The IFRS 10, IFRS 11 and IFRS 12 Amendments clarify the transition guidance in IFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between IFRS 10 and IAS 27 or SIC 12 at the beginning of the annual period in which IFRS 10 is applied for the first time.

(d) IFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but rather provides guidance on how fair value should be applied where its use is already required or permitted under other IFRSs. IFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in IFRS 13, the policies for measuring fair value have been amended.

(e) The IAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. The consolidated statement of comprehensive income has been restated to reflect the changes. In addition, the Group has chosen to use the new title "Statement of Profit or Loss" as introduced by the amendments in these financial statements.

(f) IAS 19 (Revised) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

(g) The IAS 36 Amendments remove the unintended disclosure requirement made by IFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group.

(h) *Annual Improvements 2009–2011 Cycle* issued in May 2012 sets out amendments to a number of standards. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

    (i) IAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

    (ii) IAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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]
IFRS 9, IFRS 7 and IAS 39 Amendments	*Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39*[4]
IFRS 10, IFRS 12 and IAS 27 (Revised) Amendments	Amendments to IFRS 10, IFRS 12 and IAS 27 (Revised) - *Investment Entities*[1]
IFRS 14	*Regulatory Deferral Accounts*[3]
IAS 19 Amendments	Amendments to IAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions*[2]
IAS 32 Amendments	Amendments to IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*[1]
IAS 39 Amendments	Amendments to IAS 39 *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting*[1]
IFRIC 21	*Levies*[1]
Annual Improvements 2010–2012 Cycle	Amendments to a number of IFRSs issued in December 2013[2]
Annual Improvements 2011–2013 Cycle	Amendments to a number of IFRSs issued in December 2013[2]

1 Effective for annual periods beginning on or after 1 January 2014

2 Effective for annual periods beginning on or after 1 July 2014

3 Effective for first annual IFRS financial statements beginning on or after 1 January 2016 and therefore not applied to the Group

4 No mandatory effective date yet determined but is available for adoption

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

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but *Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on the classification and measurement of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

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 in accordance with IFRS 9 rather than consolidate them. Consequential amendments were made to IFRS 12 and IAS 27 (Revised). The amendments to IFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in IFRS 10.

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 are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. 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 organisation incorporating the new business, the Group has three reportable operating segments and the corresponding items of segment information for the year ended 31 December 2012 have been restated for presentation on the same basis. The three reportable segments are set out as follows:

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

(b) The terminals segment engages in the manufacture and sale of mobile phone handsets, related accessories and related software and Mobile Internet terminals.

(c) The networks (telecommunications system) segment serves for the construction of base stations for telecommunications networks including TD-LTE, TD-SCDMA and WCDMA network, trading of telecommunications equipments, such as IPRAN and xPON and providing Private Network solutions.

Management monitors the results of the Group's operating segments separately for the purposes 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 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, and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Year ended 31 December 2013

	Terminals *RMB'000*	Networks *RMB'000*	Signal transmission and connectivity products *RMB'000*	Unallocated *RMB'000*	Total *RMB'000*
Segment revenue	**350,453**	**696,538**	**1,665,534**		**2,712,525**
Segment results	**28,360**	**137,742**	**(110,294)**		**55,808**
Reconciliation:					
Interest income					**4,173**
Finance costs					**(150,551)**
Corporate and other unallocated expenses					**(64,372)**
Loss before tax from continuing operations					**(154,942)**
Segment assets	**410,638**	**688,112**	**964,714**		**2,063,464**
Reconciliation:					
Corporate and other unallocated assets					**354,458**
Total assets					**2,417,922**
Segment liabilities	**173,455**	**402,205**	**256,719**		**832,379**
Reconciliation:					
Corporate and other unallocated liabilities					**789,926**
Total liabilities					**1,622,305**
Other segment information:					
Impairment losses recognised in the statement of profit or loss	**13,458**	**1,540**	**13,544**	**–**	**28,542**
Depreciation and amortisation	**12,678**	**7,217**	**43,929**	**8,005**	**71,829**
Capital expenditure*	**–**	**–**	**148,123**	**10,744**	**158,867**
Other non-cash expenses	**–**	**–**	**6,052**	**–**	**6,052**

Year ended 31 December 2012

	Terminals *RMB'000* (Restated)	Networks *RMB'000* (Restated)	Signal transmission and connectivity products *RMB'000* (Restated)	Unallocated *RMB'000* (Restated)	Total *RMB'000* (Restated)
Segment revenue	246,271	334,009	1,933,675		2,513,955
Segment results	20,707	26,322	(16,399)		30,630
Reconciliation:					
Interest income					1,336
Finance costs					(61,645)
Corporate and other unallocated expenses					(13,115)
Loss before tax from continuing operations					(42,794)
Segment assets	350,064	460,944	2,228,722		3,039,730
Reconciliation:					
Corporate and other unallocated assets					466,545
Total assets					3,506,275
Segment liabilities	155,706	187,181	498,336		841,223
Reconciliation:					
Corporate and other unallocated liabilities					1,202,517
Total liabilities					2,043,740
Other segment information:					
Impairment losses recognised in the statement of profit or loss	732	1,084	39,796	97	41,709
Depreciation and amortisation	19,965	20,011	53,171	4,954	98,101
Capital expenditure*	–	–	163,831	269,574	433,405
Other non-cash expenses	–	–	6,130	–	6,130

* 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

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**2,066,087**	1,890,856
Taiwan	**252,432**	284,873
Korea	**308,123**	213,468
The United States of America	**74,659**	105,948
Hong Kong	**508**	602
Other countries and areas	**10,716**	18,208
	2,712,525	2,513,955

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

(b) Non-current assets

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**763,165**	1,171,472
Hong Kong	**297**	89
Taiwan	**–**	6,574
	763,462	1,178,135

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 RMB349,377,000 for the current year was derived from sales by the networks segment to a major external customer from whom the revenue individually derived has exceeded 10% of the revenue of the Group.

In 2012, none of the customers 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:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Revenue		
Sales of goods and software products	**2,601,658**	2,398,443
Rendering of services	**105,207**	95,512
Royalty income	**5,660**	20,000
	2,712,525	2,513,955
Other income and gains		
Bank and other interest income	**4,173**	1,336
Government grants released	**5,864**	5,402
Net gains on disposals of subsidiaries	**1,857**	–
Discounted amount of other borrowings arising from the passage of time	**7,817**	–
Fair value gains, net		
Commodity derivative contracts and cancellable foreign currency forward swaps contracts	**204**	21,155
Changes in fair value of the contingent consideration	**–**	13,166
Others	**1,168**	46
	21,083	41,105

5. **FINANCE COSTS**

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Interest on bank and other borrowings wholly repayable within five years	**68,475**	69,417
Interest on a promissory note	**82,237**	–
Less: Interest capitalised	**(161)**	(7,772)
	150,551	61,645

6. LOSS BEFORE TAX

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

	Notes	2013 RMB'000	2012 RMB'000 (Restated)
Cost of inventories sold*		**2,344,647**	2,177,903
Depreciation		**39,525**	50,363
Amortisation of prepaid land lease payments		**2,475**	1,529
Amortisation of other intangible assets**		**29,829**	46,209
Impairment of property, plant and equipment		**1,772**	20,275
Impairment of other intangible assets		**2,402**	6,529
Impairment of trade receivables	*10*	**1,539**	2,901
Impairment of goodwill		**–**	7,488
Impairment recognised/(reversed) for other receivables	*11*	**12,958**	(192)
Minimum lease payments under operating leases		**5,609**	7,730
Auditors' remuneration		**2,200**	3,076
Research and development costs***		**92,673**	83,198
Government grants released****		**(5,864)**	(5,402)
Foreign exchange differences, net		**164**	1,355
Employee benefit expenses (including directors' and a chief executive's remuneration)			
– Wages and salaries		**276,958**	299,261
– Equity-settled share option expense		**203**	3,762
– Pension scheme contributions		**14,445**	14,408
		291,606	317,431
Write-down of inventories to net realisable value		**9,871**	4,708
Loss on disposal of items of property, plant and equipment		**6,052**	6,130
Bank and other interest income		**(4,173)**	(1,336)
Net gains on disposals of subsidiaries		**(1,857)**	–

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

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

*** Inclusive of amortisation of other intangible assets.

**** During the financial year ended, the Group received government grants for incentives for technology research and development and compensations for purchase of machinery used in manufacturing of terminals.

There are no unfulfilled conditions or contingencies attached to these grants for those released to the statement of comprehensive income. The remaining grants of RMB14,727,000 (2012: RMB13,955,000) are special funds subject to verification by the local government or will be amortised over the useful lives of those assets it compensated.

7. INCOME TAX EXPENSE

The statutory rate of 25% for each of the two years ended 31 December 2012 and 2013 represent the statutory tax rate in the Mainland China as the Group's operations conducted substantially in Mainland China throughout these years.

No material provision for Hong Kong profits tax has been made as the Group did not have material assessable profit arising in Hong Kong in both the years ended 31 December 2012 and 2013.

The statutory tax rate for Honglin Technology Co., Ltd., ("Honglin Technology"), a company established in Taiwan, is 17% for both the years ended 31 December 2012 and 2013. No provision for Taiwan income tax has been made as Honglin Technology did not have any taxable income for the year ended 31 December 2013 (2012: Nil).

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Current – Mainland China		
Charge for the year	**14,752**	12,247
Underprovision in prior years	**227**	689
Deferred income tax	**(2,747)**	(5,785)
Withholding tax	**12,788**	–
Total tax expense for the year	**25,020**	7,151

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 2013 nor has any dividend been proposed since the end of the reporting period (2012: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 720,000,000 (2012: 720,000,000) in issue during the year.

The calculations of basic and diluted loss per share are based on:

	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Loss attributable to ordinary equity holders of the parent, used in the basic and diluted loss per share calculation:		
From continuing operations	**177,375**	35,680
From a discontinued operation	**135**	–
	177,510	35,680
Weighted average number of ordinary shares in issue ('000) during the year used in the basic and diluted loss per share calculation	**720,000**	720,000
Loss per share:		
Basic and diluted		
– For the continuing operations	**RMB24.64 cents**	RMB4.96 cents
– For the discontinued operation	**RMB0.01 cents**	–

Diluted loss per share is the same as the basic loss per share as there were no potentially dilutive shares in existence during the year ended 31 December 2013 and 31 December 2012.

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**1,148,226**	1,326,783
Impairment	**(3,125)**	(4,419)
Trade receivables, net	**1,145,101**	1,322,364
Less: Non-current portion of trade receivables	**–**	(8,598)
Current portion of trade receivables	**1,145,101**	1,313,766
Bills receivable	**56,329**	39,768
	1,201,430	1,353,534

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:

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**750,984**	946,814
3 to 6 months	**57,747**	251,609
6 to 12 months	**171,103**	8,614
1 to 2 years	**51,987**	26,741
Over 2 years	**113,280**	88,586
	1,145,101	1,322,364
Less: Current portion	**(1,145,101)**	(1,313,766)
Non-current portion	**–**	8,598

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Opening balance	**4,419**	1,239
Acquisition of a subsidiary	**–**	502
Impairment loss recognised	**1,539**	2,910
Written off	**(2,833)**	(223)
Closing balance	**3,125**	4,419

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**32,518**	19,608
Over 3 months but within 6 months	**23,811**	20,160
	56,329	39,768

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Advances to suppliers and other third parties	**171,244**	220,403
Value added tax receivable	**10,394**	22,935
Deposits and prepayments	**5,000**	19,743
Other receivables	**13,390**	36,782
Consideration receivable for disposals of subsidiaries	**15,274**	8,730
Amounts due from fellow subsidiaries	**14,887**	–
	230,189	308,593

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Opening balance	**3,221**	1,168
Acquisition of a subsidiary	**–**	2,245
Impairment loss recognised/(reversed)	**12,958**	(192)
Disposal of a subsidiary	**(13,168)**	–
Closing balance	**3,011**	3,221

The balance as at 31 December 2013 was unsecured.

12. TRADE AND BILLS PAYABLES AND OTHER LONG-TERM 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:

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**379,234**	391,376
3 to 12 months	**221,139**	193,418
1 to 2 years	**37,548**	40,506
Over 2 years	**21,412**	378
	659,333	625,678
Less: Current portion	**(659,333)**	(617,981)
Non-current portion	**–**	7,697

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:

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Within 3 months	**40,013**	23,891
3 to 6 months	**4,830**	24,551
	44,843	48,442

13. OTHER PAYABLES AND ACCRUALS

	Group	
	2013	2012
	RMB'000	*RMB'000*
		(Restated)
Advances from customers	**37,333**	26,799
Accruals	**9,299**	34,561
Payables for acquisition of property, plant and equipment	**41,000**	9,032
Payroll payable	**13,566**	23,232
Other taxes payable	**116,626**	72,835
Other payables	**15,927**	15,619
Amounts due to fellow subsidiaries	**1,064**	–
	234,815	182,078

PERFORMANCE REVIEW

In 2013, the growth of global economy remained in a low pace and uncertainties still existed. The traditional consumer electronic and computer industries were experiencing difficulties and challenges in an unfavorable global environment. Hence, a decline of the procurement amount from our customers and the average selling price of our products were recorded in these fields in 2013. However, in the meantime, performance of communication and telecommunication industries was booming with stronger momentum and increasing revenue and number of end users as Fourth Generation ("4G") technology, Mobile Internet technology and enterprise Private Network technology had widely used. The market was more optimistic to the communication and telecommunication industries.

After the completion of Rosy Sun Acquisition, the terminals and networks segments (collectively the "Newly Acquired Business") were newly added to the Group's business portfolio, and the revenue generated from the Newly Acquired Business amounted to approximately RMB1,047.0 million, representing an increase by approximately 80.4% as compared with that for the period from 13 June 2012 to 31 December 2012 mainly due to (i) the booming market demands on 4G products and related services as well as Private Network solutions since 4G technology, Mobile Internet technology and Private Network technology become widely used; (ii) the Group has made great efforts in the marketing and research and development to expand market share and strengthen its customer base in both Operator Networks and enterprise Private Network; and (iii) revenue from the Newly Acquired Business was consolidated into the Group since 13 June 2012 as compared with that for the full year of 2013. For the original businesses of the Group, including external and 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 RMB1,933.7 million for the year ended 31 December 2012 to approximately RMB1,665.5 million for the year ended 31 December 2013, representing a decrease by approximately 13.9%. The decrease in revenue from the Original Business was mainly due to (i) the continuing challenges and uncertainties in the global economies and severe effects on the computer and consumer electronics industries, resulting in both the procurement amount and the average selling price across most product lines within the Original Business in the tough competitive operating environment declined; and (ii) the negative effects on and cease of contribution to the revenue by certain relevant subsidiaries of the Company (the "Disposal Group") as a result of the completion of the disposal of the entire issued share capital of Sumptuous Wealth Limited ("Sumptuous Wealth") by the Group on 26 November 2013 (the "Sumptuous Wealth Disposal"). Details of which can be referred to the circular of the Company dated 27 June 2013. As a result of the aforesaid, the Group recorded a total revenue of approximately RMB2,712.5 million for the year ended 31 December 2013, representing a growth of approximately 7.9% as compared with that for the year ended 31 December 2012.

The gross profit generated from the Newly Acquired Business amounted to approximately RMB159.1 million, or representing an increase by approximately 230.7% as compared with that for the period from 13 June 2012 to 31 December 2012, which was mainly due to (i) the rising proportion of sale of network products with higher gross profit margin due to the tailor-made services and products delivered to Private Network customers; and (ii) gross profit from the Newly Acquired Business was consolidated into the Group since 13 June 2012 as compared with that for the full year of 2013. Gross profit generated from the Original Business were approximately RMB199.0 million, representing a decrease by approximately 29.3% as compared with that for the year ended 31 December 2012. Such decrease in gross profit from the Original Business was mainly due to the decline in the average selling price and procurement amount across most of the product lines within the Original Business along with increasingly fierce competition and weaker demands from the Group's most customers for the year ended 31 December 2013. The Group's gross profit for the year ended 31 December 2013 amounted to approximately RMB358.0 million, representing an increase by approximately 8.7% as compared with that for the year ended 31 December 2012. The gross profit margin increased from approximately 13.1% for the year ended 31 December 2012 to approximately 13.2% for the year ended 31 December 2013.

The net profit recorded by the Newly Acquired Business was approximately RMB71.6 million, after consolidating the net profit of approximately RMB87.3 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), which was guaranteed by the vendor of Rosy Sun to the Company that its net profit for the financial year ended 31 December 2013 shall not be less than RMB85.0 million (please refer to the circular of the Company dated 31 December 2012 for further details) (the "Profit Guarantee") and the Profit Guarantee has thus been accomplished, and other costs of approximately RMB15.7 million mainly composed of depreciation and amortization of valuation premium of prepaid land lease payments, property, plant and equipment and intangible assets identified during the Rosy Sun Acquisition. Whereas the net loss from the Original Business for the year ended 31 December 2013 was approximately RMB169.3 million which was mainly due to: (i) the decrease in gross profit and other gains from the Original Business for the year ended 31 December 2013; (ii) impairment loss on property, plant and equipment, intangible assets, trade and other receivables and inventories recognised during the year ended 31 December 2013 since their recoverable amount, or net realizable value was less than their carrying amount. Furthermore, there was a substantial notional interest expense of approximately RMB82.2 million incurred for the year ended 31 December 2013 mainly due to the early redemption of the promissory note (which was issued by the Company as the consideration for the Rosy Sun Acquisition) as a result of the Sumptuous Wealth Disposal which adds to the total loss of the Group. The Group incurred a net loss of approximately RMB180.2 million for the year ended 31 December 2013.

* *For identification purpose only*

To reverse losses and improve the efficiency and profitability, the Group is dedicated to (i) redress its customer base, continuously enhance its research and development capability, and improve management efficiency by optimizing its financial and administration management and products quality system; and (ii) proactively reorganise and integrate its business portfolio by disposing loss-making businesses and actively explore any methods to reverse loss, such as conducting possible acquisitions and developing new products in prosperous industries.

Efforts extended by the Group for the year ended 31 December 2013 were summarised as follows:

Redress Customer Base

As we vigorously maintained solid relationships with our existing customers, the Group also entered into the supply chain of the three major telecommunication services providers after completion of the Rosy Sun Acquisition. Besides, the Group successfully developed leading enterprise customers in the newly emerged Private Network business, such as Zoomlion and Brilliance Auto.

Enhance Research and Development Capability

Following the entering into telecommunication industries upon completion of the Rosy Sun Acquisition, the Group has proactively been dedicated into the research and development in the 4G terminal products and wireless Private Network solutions, for instance, the newly developed Mobile Internet terminals for the telematics and the wireless smart park projects developed by the Group, obtained profits for the year ended 31 December 2013 due to the long term investments in research and development and the accumulation of these new technologies in the area of the 4G, Mobile Internet and Private Networks. The Group developed these technologies relying on the corporation between the Group and some leading enterprise partners. The new type of specialty power cable Hybrid Cable for Telecommunication was developed in 2013.

Improve Management Efficiency

To rationally reduce the operating costs and improve the operating efficiency, the Group (i) tightened its credit and implemented cost control and appropriate inventory policy, scaled back capital expenditure in certain areas to better manage our operations; (ii) adopted deepening training classes to core staff and appropriately compress the overlapped crew to efficiently allocate management fund; and (iii) further applied the transaction tracking system and e-quality management system to facilitate our products quality control endeavors.

Business Restructuring

On 10 January 2014, the Group entered into two equity transfer agreements to dispose of the entire equity interest in 武漢市泓淋科技有限公司 ("Wuhan Honglin Technology Company Limited*", "Wuhan Technology") to two independent third parties (the "Wuhan Technology Disposal"). The Wuhan Technology Disposal was consistent with the whole development strategy of the Group and stopped its deficit.

On 27 September 2013, the Group entered into two equity transfer agreements to dispose of the entire equity interest in 武漢市泓淋電子有限公司 ("Wuhan Honglin Electronic Company Limited*", the "Wuhan Electronic") to two independent third parties ("Wuhan Electronic Disposal"). The Wuhan Electronic Disposal allowed the Group to concentrate its superior resources and stopped its deficit.

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 (the "S&P Agreement of Sumptuous Wealth") (as supplemented by the supplemental deeds dated 24 June 2013 and 26 November 2013 respectively). On 26 November 2013, with all the precedent conditions of the Sumptuous Wealth Disposal having been completed, the completion of the Sumptuous Wealth Disposal took place, Sumptuous Wealth hence ceased to be a subsidiary of the Company. The Sumptuous Wealth Disposal allowed the Group to dispose of part of its business in deficit and reserve its superior resources for future possible better opportunities of profit-making.

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, the PRC Company became subsidiaries of the Company since then.

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 could run on 2G and/or 3G and/or 4G networks such as GSM, IS-95, CDMA2000, TDSCDMA and TD-LTE/FDD-LTE, as well as Mobile Internet terminals and related services provision in the PRC; (ii) the sale of network equipment to three major telecommunication services providers in the PRC, such as core network equipments ("CN"), WLAN, IPRAN and xPON; (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; and (iv) Private Network solutions to its newly developed leading enterprise customers.

On 12 January 2013, the resolutions for approving the disposal of a 55% equity interest in 天津日拓汽車電裝有限公司 (Tianjin Rituo Automotive Electronics Co., Ltd.*, "Rituo Automotive") (the "Rituo Disposal") and the acquisition of the entire equity interest in 天津市日拓高科技有限公司 (Tianjin Rituo High Technology Co., Ltd*, "Rituo Technology") (the "Rituo Acquisition") were duly passed by the independent shareholders of the Company.

* *For identification purpose only*

OUTLOOK

New technologies and devices are emerging in our daily lives such as wireless power charger, 4G technology, Mobile Internet technology and related services and products which had changed and will keep changing our lifestyle. The futures of the global computing and consumer electronics markets are still unpredictable and full of challenges. While the prospect of communication and telecommunication industries seems much better with the wide application of H the 4G, Mobile Internet and Private Network. By entering into the telecommunication industry and our great efforts made during the past year, the Group expects 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 and make more efforts and investments in the research and development and market expansion in the area of 4G, Mobile Internet and Private Network. 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.

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 organisation incorporating the new business, the Group has three reportable operating segments and the corresponding financial data of the Group for the year ended 31 December 2012 has been restated.

	Year ended 31 December				
	2013		2012		
	Revenue *RMB'000*	**% of Revenue**	Revenue *RMB'000*	% of Revenue	Change in %
Signal transmission and connectivity products	**1,665,534**	**61.4**	1,933,675	76.9	(13.9)
Terminals	**350,453**	**12.9**	246,271	9.8	42.3
Networks	**696,538**	**25.7**	334,009	13.3	108.5
Total	**2,712,525**	**100.0**	2,513,955	100.0	7.9

The Group recorded a total revenue of approximately RMB2,712.5 million for the year ended 31 December 2013, representing a growth of approximately 7.9% as compared with the revenue of approximately RMB2,514.0 million for the year ended 31 December 2012. Revenue generated from the Newly Acquired Business amounted to approximately RMB1,047.0 million, representing approximately 38.6% of the total revenue of the Group for the year ended 31 December 2013, or representing a significant increase by approximately 80.4% as compared with that for the period from 13 June 2012 to 31 December 2012 which is mainly due to: (i) the booming market demand on 4G products and related services as well as Private Network solutions since 4G technology, Mobile Internet technology and Private Network technology become widely used; (ii) the Group has made great efforts in the marketing and research and development to get more market shares and strengthen our customer base in both Operator Networks and enterprise Private Network; and (iii) revenue from the Newly Acquired Business was consolidated into the Group since 13 June 2012 as compared with that for the full year of 2013. While for the Original Business, the revenue decreased from approximately RMB1,933.7 million for the year ended 31 December 2012 to approximately RMB1,665.5 million for the year ended 31 December 2013, representing a decrease by approximately 13.9%. The decrease in revenue from the Original Business was mainly due to (i) the continuing challenges and uncertainties in the global economies and severe effects on the computer and consumer electronics industries, resulting in both the procurement amount and the average selling price across most product lines within the Original Business in the tough competitive operating environment declined; and (ii) the negative effects on and cease of contribution to the revenue by the companies disposed of (that is, Sumptuous Wealth and its subsidiaries) as a result of the completion of the Sumptuous Wealth Disposal.

Signal Transmission and Connectivity Products

	Year ended 31 December				
	2013		2012		
	Revenue *RMB'000*	**% of Revenue** *(approximately)*	Revenue *RMB'000*	% of Revenue *(approximately)*	Change in % *(approximately)*
External signal cable assembly	**284,557**	**17.1**	333,816	17.3	(14.8)
Internal signal cable assembly	**339,333**	**20.4**	384,517	19.9	(11.8)
Power cord assembly	**465,517**	**28.0**	463,814	24.0	0.4
Signal transmission wire & cable	**350,192**	**21.0**	420,956	21.8	(16.8)
Connectors	**20,339**	**1.2**	27,722	1.4	(26.6)
Antennas	**67,470**	**4.1**	71,913	3.7	(6.2)
Automotive wiring harness	**120,376**	**7.2**	127,454	6.6	(5.6)
Others	**17,750**	**1.0**	103,483	5.3	(82.8)
Total	**1,665,534**	**100.0**	1,933,675	100.0	(13.9)

Signal transmission and connectivity products segment recorded a total revenue of approximately RMB1,665.5 million for the year ended 31 December 2013, which decreased by approximately RMB268.1 million, or approximately 13.9% as compared with that for the year ended 31 December 2012 primarily due to (i) sales of external and internal signal cable assembly dropped by approximately 14.8% and 11.8% respectively due to the reduction of their unit selling price as a result of the fierce competition and tough operating environment and the decrease in sales volume in line with the decrease in market demands on such relatively traditional products, also as a result of the completion of the Sumptuous Wealth Disposal; (ii) sales of power cord assembly increased by approximately 0.4% as compared to the year ended 31 December 2012 due to our ability to increase market share from our existing customers, while at the same time, the selling price of this product decreased due to dropping copper price and challenging operating environment; (iii) revenue of our signal transmission wire and cable product decreased by approximately 16.8% mainly due to significant drop in sales of our communication and consumer electronics cable; and (iv) revenue of our automotive wiring harness decreased by approximately 5.6% mainly due to negative effects of the relocation of the production base and that the Company disposed of a 55% equity interest in Rituo Automotive and acquired the entire equity interest in Rituo Technology and the Company lost some production and customers during the disposal and acquisition.

Terminals

Main products of terminals segment are cell phones which can run on 3G and/or 4G networks, such as CDMA2000, TD-SCDMA and TD-LTE/FDD-LTE as well as Mobile Internet terminals. Revenue of the terminals segment for the year ended 31 December 2013 were approximately RMB350.5 million, which representing approximately 12.9% of the total revenue of the Group for the year ended 31 December 2013 and also representing an increase by approximately 42.3% as compared with that for the period from 13 June 2012 to 31 December 2012 mainly due to that revenue from this segment was consolidated into the Group since 13 June 2012 as compared to the full year of 2013. While at the same time, we also noted that most proportion of the revenue from this segment for the year ended 31 December 2012 was generated in the second half of the year, thus there was only an increase of approximately 42.3% was recorded.

Networks

Main products and services of networks segment are network equipment such as CN, WLAN, IPRAN and xPON, the installation, maintenance and upgrade of the network equipment, wireless network optimization on the existing wireless network systems of the three major telecommunication services providers and Private Network solutions provided to several leading enterprise customers in the PRC. Revenue of networks segment for the year ended 31 December 2013 were approximately RMB696.5 million, which representing approximately 25.7% of the total revenue of the Group for the year ended 31 December 2013 and also representing an increase by approximately 108.5% as compared with that for the period from 13 June 2012 to 31 December 2012 mainly due to the great efforts made by the Group on the marketing and research and development in networks segment and that revenue from networks segment was consolidated into the Group since 13 June 2012 as compared with that for the full year of 2013.

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				
	2013		2012		
		% of Total cost of sales		% of Total cost of sales	Change in %
	RMB'000	*(approximate)*	*RMB'000*	*(approximate)*	*(approximate)*
Raw material costs	**1,902,311**	**80.8**	1,835,640	84.0	3.6
Utilities	**20,655**	**0.9**	20,031	0.9	3.1
Depreciation	**34,160**	**1.5**	26,169	1.2	30.5
Labor costs	**178,449**	**7.6**	160,356	7.3	11.3
Outsourcing costs	**175,727**	**7.5**	108,508	5.0	61.9
Others	**43,180**	**1.7**	33,892	1.6	27.4
Total	**2,354,482**	**100.0**	2,184,596	100.0	7.8

Among the total cost of sales of the Group, approximately RMB1,466.6 million was attributable to the Original Business, among which approximately RMB1,117.5 million was attributable to the raw material costs, representing approximately 76.2% of the total cost of sales of the Original Business. Approximately RMB887.9 million was attributable to the Newly Acquired Business, among which approximately RMB784.8 million was attributable to the raw material costs, representing approximately 88.4% of the total cost of sales of the Newly Acquired Business.

Cost of sales increased overall by approximately RMB169.9 million for the year ended 31 December 2013, or representing an increase by approximately 7.8% as compared with that for the year ended 31 December 2012. The increase was basically in line with the increase in the revenue and primarily due to: (i) increase in cost of sales attributable to the Newly Acquired Business was approximately RMB355.7 million or approximately 66.8% mainly due to that the cost of sales from Newly Acquired Business was consolidated into the Group since 13 June 2012 as compared with that for the full year of 2013; and (ii) cost of sales from the Original Business decreased by approximately RMB185.8 million, or approximately 11.3%, as compared with that for the year ended 31 December 2012, which was mainly as a result of the drop in the total sales volume and the cease of contribution from the companies disposed of (that is, Sumptuous Wealth and its subsidiaries) upon the completion of the Sumptuous Wealth Disposal.

Gross Profit and Margin

	Year ended 31 December				
	2013		2012		
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	Change in gross profit
	RMB'000	**%** *approximately*	*RMB'000*	*%* *approximately*	*approximately*
Signal transmission and connectivity products	**198,956**	**11.9**	281,255	14.5	(29.3)
Terminals	**32,913**	**9.4**	23,701	9.6	38.9
Networks	**126,174**	**18.1**	24,403	7.3	417.0
Total	**358,043**	**13.2**	329,359	13.1	8.7

The Group's gross profit for the year ended 31 December 2013 amounted to approximately RMB358.0 million, representing an increase by approximately RMB28.7 million or approximately 8.7% as compared with that for the year ended 31 December 2012. Gross profit generated from the Newly Acquired Business increased to approximately RMB159.1 million for the year ended 31 December 2013 from RMB48.1 million for the period from 13 June 2012 to 31 December 2012 mainly due to (i) the revenue for the Newly Acquired Business increased significantly and the rising proportion of network products with relatively high gross profit margin due to the tailor-made services and products delivered to Private Network customers; and (ii) gross profit from the Newly Acquired Business was consolidated into the Group since 13 June 2012 as compared with that for the full year of 2013. Gross profit generated from the Original Business decreased from approximately RMB281.3 million for the year ended 31 December 2012 to approximately RMB199.0 million for the year ended 31 December 2013, representing a decrease by approximately 29.3%. Such decrease in gross profit from the Original Business was mainly due to the decline in the average selling price and procurement amount across most of the product lines within the Original Business along with increasingly fierce competition and weaker demands from the Group's most customers for the year ended 31 December 2013.

Gross profit margin for the year ended 31 December 2013 increased from 13.1% to 13.2% for the year ended 31 December 2012. The gross profit margin for the Newly Acquired Business improved significantly mainly due to the rising proportion of network products with higher gross profit margin, especially the tailor-made solutions delivered to Private Network customers; while the gross profit margin for the Original Business decreased to 11.9% for the year ended 31 December 2013 from 14.5% for the year ended 31 December 2012 mainly due to the decline in the average selling price across most of the Group's product lines.

Other Income and Gains

The Group recorded other income and gains of approximately RMB21.1 million for the year ended 31 December 2013, among which approximately RMB5.9 million was the government grants released during the year, approximately RMB4.2 million was bank and other interest income and approximately RMB7.8 million was discounted amount of long-term trade receivables arising from the passage of time; we also recorded a net gain on disposals of subsidiaries of approximately RMB1.9 million.

Selling and Distribution Expenses

Distribution and selling expenses increased by approximately RMB31.5 million for the year ended 31 December 2013, or approximately 39.7%, as compared with that for the year ended 31 December 2012, mainly attributable to the increase in staff cost and related expenses from the Newly Acquired Business along with the increasing general marketing activities and the establishment of a sound marketing network in the PRC.

Administrative Expenses

Administration and general expenses increased by approximately RMB10.3 million for the year ended 31 December 2013, or approximately 7.1%, as compared with that for the year ended 31 December 2012, which was mainly due to, among others, audit and other professional fees increased by approximately RMB15.7 million as a result of the mass professional fees occurred during the disposal of Rituo Technology and the Sumptuous Wealth Disposal. However, this significant increase was partially net off by the overall decrease in administration and general expenses from Original Business by virtue of the completion of the Sumptuous Wealth Disposal on 26 November 2013.

Research and Development Expenses

Research and development expenses increased by approximately RMB9.5 million for the year ended 31 December 2013, or approximately 11.4%, as compared with that for the year ended 31 December 2012. The increase was mainly attributable to the rising staff costs and co-development expenses from the Newly Acquired Business of approximately RMB6.8 million and RMB4.5 million, respectively, along with the expansion of its research and development activities in terms of both scope and scale, especially on 4G terminals, Mobile Internet terminals and enterprise Private Network solutions.

Other Expenses

Other expenses amounted to approximately RMB24.9 million for the year ended 31 December 2013, which was primarily attributable to loss from disposal of property, plant and equipment and impairment loss recognized in respect of property, plant and equipment, intangible assets, trade receivables and prepayments and other receivables.

Finance Costs

Finance costs increased by approximately RMB88.9 million for the year ended 31 December 2013, or approximately 144.2%, as compared with that for the year ended 31 December 2012, which was mainly attributable to the substantial notional interest expense of approximately RMB82.2 million incurred mainly due to the early redemption of the promissory note (which was issued by the Company as the consideration for Rosy Sun Acquisition) as a result of the completion of the Sumptuous Wealth Disposal on 26 November 2013.

Income Tax Expense

We incurred income tax expense of approximately RMB25.0 million for the year ended 31 December 2013 primarily due to (i) the current PRC Enterprise Income Tax expense occurred from the Newly Acquired Business of approximately RMB14.3 million and current withholding tax from the Original Business of approximately RMB12.8 million relating to profit distribution to the Company; and (ii) deferred tax of approximately RMB2.7 million. On an overall basis, the Group's effective tax rate for the year ended 31 December 2013 was -16.15%, contrasting to -16.71% for the year ended 31 December 2012.

Loss for the Period

The Group incurred a net loss of approximately RMB180.2 million for the year ended 31 December 2013. The net profit recorded by the Newly Acquired Business was approximately RMB71.6 million, after consolidating the net profit of approximately RMB87.3 million recorded by the PRC Company, which means the Profit Guarantee has been accomplished, and other costs of approximately RMB15.7 million mainly composed of depreciation and amortization of valuation premium of prepaid land lease payments, property, plant and equipment and intangible assets identified during the Rosy Sun Acquisition. Whereas the net loss from the Original Business for the year ended 31 December 2013 was approximately RMB169.3 million which was mainly due to: (i) the decrease in gross profit and other gains from the Original Business for the year ended 31 December 2013; and (ii) impairment loss on property, plant and equipment, intangible assets, trade and other receivables and inventories recognised during the year ended 31 December 2013 since their recoverable amount, or net realizable value was less than their carrying amount. Furthermore, there was a substantial notional interest expense of approximately RMB82.2 million incurred for the year ended 31 December 2013 mainly due to the early redemption of the promissory note (which was issued by the Company as the consideration for acquiring Rosy Sun) as a result of the Sumptuous Wealth Disposal which add to the total loss of the Group.

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 31 December 2013, the Group's gearing ratio (measured by total interest-bearing bank and other borrowings as a percentage of total assets of the Company) was approximately 25.9% (31 December 2012: approximately 30.4%).

As at 31 December 2013, the total bank and other borrowings of the Group amounted to approximately RMB625.2 million (31 December 2012: approximately RMB1,065.8 million). These loans carried interests at floating or fixed rates. Included in the total bank and other borrowings of approximately RMB625.2 million, approximately RMB262.3 million was secured loans.

The bank and other borrowings from the Newly Acquired Business decreased by approximately RMB80.3 million mainly due to some of the bank and other borrowings matured and the PRC Company did not renew the borrowings, the bank and other borrowings from the Original Business decreased by approximately RMB360.2 million, which was mainly attributable to the completion of the Sumptuous Wealth Disposal on 26 November 2013.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have outstanding at the close of business on 31 December 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 31 December 2013 to the date of this announcement.

Foreign Currency Risk

As certain of our trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings of the Group are denominated in foreign currency, hence exposure to exchange rate fluctuation arises.

Working Capital

Inventories balance as at 31 December 2013 was approximately RMB125.8 million (31 December 2012: approximately RMB327.4 million). The decrease was mainly attributable to the drop of inventories from Original Business as a result of completion of the Rituo Disposal on 12 January 2013 and completion of the Sumptuous Wealth Disposal on 26 November 2013. The average turnover days for inventories dropped to 36 days as at 31 December 2013 (31 December 2012: 55 days) mainly due to the huge decline in inventory balance and the inventory turnover rate of the Newly Acquired Business was relatively high.

Trade and bills receivables balance as at 31 December 2013 was approximately RMB1,201.4 million (31 December 2012: approximately RMB1,353.5 million). Apart from the rising of trade and bills receivables of approximately RMB287.5 million from the Newly Acquired Business mainly due to the increase of its business scope and revenue, the trade and bills receivables from the Original Business decreased by approximately RMB439.6 million which was mainly due to (i) we accelerated the recovery of trade and bills receivables proactively during the tough time; (ii) the decrease in revenue for the year ended 31 December 2013; and (iii) the completion of the Rituo Disposal on 12 January 2013 and completion of the Sumptuous Wealth Disposal on 26 November 2013. The average turnover days for trade and bills receivables stood at 172 days (31 December 2012: 167 days). As at 31 December 2013, approximately 65.2% of our trade and bills receivables were aged within three months.

Trade and bills payables balance as at 31 December 2013 was approximately RMB704.2 million (31 December 2012: approximately RMB666.4 million). Apart from the increase by approximately RMB235.2 million from the Newly Acquired Business due to the increase in its business scope and purchase, the trade and bills payables from the Original Business decreased by approximately RMB197.4 million which was mainly as a result of the completion of the Rituo Disposal on 12 January 2013 and completion of the Sumptuous Wealth Disposal on 26 November 2013. The average turnover days for trade and bills payables stood at 107 days as at 31 December 2013 (31 December 2012: 95 days).

Our cash conversion cycle for the year ended 31 December 2013 was 101 days as compared with 127 days for the year ended 31 December 2012.

Cash Flows

	Year ended 31 December	
	2013	2012
	RMB'000	*RMB'000*
Net cash from operating activities	**85,830**	59,195
Net cash used in investing activities	**(142,281)**	(183,715)
Net cash (used in)/from financing activities	**(19,872)**	172,808

For the year ended 31 December 2013, our operating cash flows have been improved greatly. Net cash from operating activities for the year ended 31 December 2013 increased to approximately RMB85.8 million from approximately RMB59.2 million for the year ended 31 December 2012. The improvement on operating cash flows condition was primarily due to the increase in total revenue and the decrease in trade and bills receivables.

Net cash used in investing activities for the year ended 31 December 2013 of approximately RMB142.3 million was primarily attributable to investments in property, plant and equipment, other intangible assets and land use right in Huizhou, Weihai, Wuhan and Changshu base and as the effect of the completion of the Sumptuous Wealth Disposal, which was partially net off by the proceeds from disposal of property, plant and equipment.

Net cash used in financing activities for the year ended 31 December 2013 amounted to approximately RMB19.9 million, which was primarily attributable to the repayment of bank and other borrowings.

Capital Expenditure

For the year ended 31 December 2013, the Group incurred total capital expenditure of approximately RMB158.9 million (31 December 2012: approximately RMB433.4 million) in construction of new factories, research and development center, the purchase of land, plant and machinery, equipment and computer systems and other intangible assets.

Capital Commitments

As at 31 December 2013, the Group had capital commitments of approximately RMB25.8 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 31 December 2013, subsidiaries of the Group had a total of 3,908 staff, of which 1,841were direct employees (31 December 2012: 3,417) and 1,186 were contract workers (31 December 2012: 5,549). As at 31 December 2013, we also had 881 part time interns (31 December 2012: 1,219). All contract workers and part time interns were mainly deployed in production. The breakdown of direct employees of the Group as at 31 December 2013 and 2012 is as follows:

	As at 31 December 2013	As at 31 December 2012
Manufacturing	**584**	1,809
Sales and marketing	**506**	311
General and administration	**389**	687
Research and Development	**221**	270
Quality and control	**141**	340
Total	**1,841**	3,417

The significant decrease in the employee number as at 31 December 2013 as compared with that as at 31 December 2012 was mainly due to the Sumptuous Wealth Disposal.

CHANGE IN USE OF PROCEEDS

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) (the "IPO Proceeds").

As at 21 February 2014, the Company utilized approximately RMB332.1 million of the IPO Proceeds, 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)*	**Utilized amount** *RMB million (approximately)*	**Unutilized 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 unutilized IPO Proceeds was approximately RMB68.6 million as at 21 February 2014 and all of that were intended to use in expanding the production capacity of existing products and the development and production of new products of the Group in its Chongqing and Wuhan base originally. In light of, among other things, (i) the Wuhan Electronic Disposal; (ii) the completion of the Sumptuous Wealth Disposal; and (iii) the Wuhan Technology Disposal, the businesses of the Group in Chongqing and Wuhan together with the investment in their production bases have already 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 unutilized IPO Proceeds of approximately RMB68.6 million to the expansion of the domestic and international markets on the Group's products lines within the Original Business, research and development investments in the Group's original products, mainly the halogen-free power cord and general working capital such as talent recruitment and equipment maintenance, since the IPO Proceeds originally allocated to research and development investments and general working capital have been fully utilized and the Group reckons the need for increasing investments in the research and development having considered the current business profile of the Group and the industry trend whereas the newly allocated IPO Proceeds can serve as the supplement to the general working capital of the Group which can mitigate the pressure on the Group.

The proposed revised use of unutilized IPO Proceeds is as follows:

New intended use	**New allocation of the unutilized IPO Proceeds** *RMB million (approximately)*
Expansion of domestic and international markets on the Group's original products	13.6
Research and development investments	20.0
General working capital and other general corporate purposes	35.0
Total	68.6

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

MAJOR AND CONNECTED TRANSACTION IN RELATION TO THE ROSY SUN ACQUISITION

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, 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 and/or 4G networks such as GSM, IS-95, CDMA2000, TD-SCDMA and TD-LTE/FDD-LTE as well as Mobile Internet Terminals in the PRC; (ii) the sale of network equipment to three major telecommunication services providers and providing Private Network Solutions to several leading enterprise customers 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.

The PRC Company recorded a net profit of approximately RMB87.3 million for the year ended 31 December 2013. The Profit Guarantee has thus been accomplished.

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 RITUO AUTOMOTIVE AND THE ACQUISITION OF RITUO TECHNOLOGY

Rituo Automotive and Rituo Technology (collectively, the "Tianjin Rituo Group") were acquired by Weihai Honglin Electronic Co., Ltd.* (威海市泓淋電子有限公司) ("Weihai Electronic"), a wholly owned subsidiary of the Company on 21 February 2011 and it had 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

* *For identification purpose only*

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 interest in Rituo Automotive 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 the entire equity interest in Rituo Technology 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 invested into Rituo Technology by Rituo Automotive and the net asset value of Rituo Technology as at 31 October 2012.

Rituo Technology was principally engaged in the design, research and development, manufacture and sale of automotive wiring harness products to end PRC automobile customers at the time of the Rituo Acquisition.

The Rituo Disposal and the Rituo Acquisition, when aggregated, constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As Wang Xiang held more than 30% of the registered capital of Rituo Automotive at the relevant time and was 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 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 on 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.

On 12 January 2013, the resolutions for approving the Rituo Disposal and the Rituo Acquisition were passed by the independent shareholders of the Company at the extraordinary general meeting 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 cap for the transactions contemplated thereunder is RMB18.0 million (equivalent to approximately HK$21.6 million).

* *For identification purpose only*

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 was 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 exempted 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.

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF WEIHAI JINYUAN

On 22 March 2013, Weihai Electronic 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 staffs at a lower cost, and offer additional incentives and benefit to its staffs.

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.

* *For identification purpose only*

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 and amended by supplemental deeds entered into among the Company, Jia Ya and Mr. Chi dated 24 June 2013 and 26 November 2013, respectively), the Company conditionally agreed to dispose of and Jia Ya conditionally agreed to purchase the entire 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 the 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 the 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 the Sumptuous Wealth Disposal; and (ii) where the outstanding amount under the Promissory Note as at the date of completion of the 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 the 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.

On 26 November 2013, all conditions precedent under the S&P Agreement of Sumptuous Wealth (as supplemented and amended) have been fulfilled, and the completion took place on 26 November 2013, the final Consideration is fixed at HK$620,732,000 pursuant to the terms of the S&P Agreement of Sumptuous Wealth (as supplemented and amended). The final Consideration has been settled by the Purchaser by procuring Mr. Chi setting off an amount equivalent to HK$650,000,000 under the Promissory Note, and the Company has, by way of prepayment, procured Weihai Electronic setting off outstanding amount owed by Dezhou Electronic of HK$29,268,000, being the amount equivalent to the difference between the final Consideration and the outstanding amount under the Promissory Note as at the date of completion of the Sumptuous Wealth Disposal, upon completion.

Details of the Sumptuous Wealth Disposal have been set out in the announcements dated 9 June 2013, 24 June 2013, 16 July 2013 and 26 November 2013 and the circular dated 27 June 2013 published by the Company.

DISPOSAL OF WEIHAI DONGCHEN

On 27 April 2012, the Board approved the establishment of 威海市東晨塑膠新材料有限公司 (Weihai Dongchen Plastics New Materials Limited*, "Weihai Dongchen") by Weihai Electronic, Mr. Chi Zhongmin and Mr. Zhang Fengji pursuant to the terms of the articles of Weihai Dongchen in relation to the establishment of Weihai Dongchen (the "Articles"). According to the Articles, Weihai Dongchen was owned by Weihai Electronic as to 60%, Mr. Chi Zhongmin as to 30% and Mr. Zhang Fengji as to 10% respectively.

The business scope of Weihai Dongchen was the manufacture and sale of plastic materials and products used for cable jacketing, focusing on the production of halogen-free insulating plastic materials at the time of its establishment.

As Mr. Chi Zhongmin is an associate of Mr. Chi, a controlling shareholder and a Director, Mr. Chi Zhongmin is a connected person of the Company. Details of the establishment of Weihai Dongchen have been set out in the announcement dated 27 April 2012 published by the Company.

On 26 November 2013, Weihai Electronic entered into a S&P agreement with Mr. Li Ming, an independent third party to the Company, pursuant to which Weihai Electronic agreed to sell and Mr. Li Ming agreed to purchase the 60% equity interest in Weihai Dongchen at the consideration of RMB3.0 million.

* *For identification purpose only*

On the same day, Mr. Chi Zhongmin entered into another S&P agreement with Mr. Li Ming, pursuant to which Mr. Chi Zhongmin agreed to sell and Mr. Li Ming agreed to purchase the 30% equity interest in Weihai Dongchen at the consideration of RMB1.5 million.

The aforesaid considerations were determined with reference to the net carrying value of Weihai Dongchen as at 31 October 2013. The reason for disposal of the 60% equity interest by Weihai Electronic is to cease the attribution of Weihai Dongchen to the Group in view of its continuing loss due to tough industry environment it operates in.

Upon the completion of disposal of Weihai Dongchen, Weihai Dongchen ceased to be a subsidiary of the Company and Mr. Chi Zhongmin has ceased to be the shareholder and director of Weihai Dongchen. As such, Weihai Dongchen is no longer a connected person of the Company and the transaction between Weihai Dongchen and other subsidiaries of the Company (please refer to the announcement published by the Company on 30 November 2012 for details) to be ceased continuing connected transactions under Chapter 14A of the Listing Rules.

The disposal of Weihai Dongchen do not constitute a notifiable transaction and a connected transaction subject to reporting, announcement and/or shareholders' approval requirements under Chapter 14 or Chapter 14A of the Listing Rules.

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF WUHAN ELECTRONIC

On 27 September 2013, the Company entered into a disposal agreement with U&T Electronics (Hong Kong) Co., Limited ("U&T"). Pursuant to this disposal agreement, the Company agreed to dispose of and U&T agreed to purchase a 25% equity interest in Wuhan Electronic at the consideration of RMB1.25 million (equivalent to approximately HK$1.56 million).

On the same day, Weihai Electronic, entered into another disposal agreement with 臨邑縣榮發電子有限公司 (Linyi Rongfa Electronic Co., Ltd.*, "Rongfa Electronic"). Pursuant to this disposal agreement, Weihai Electronic agreed to dispose of and Rongfa Electronic agreed to purchase a 75% equity interest in Wuhan Electronic at the consideration of RMB3.75 million (equivalent to approximately HK$4.69 million).

Wuhan Electronic is a company established in the PRC with limited liability by the Company and Weihai Electronic on 11 October 2005. Wuhan Electronic has a registered capital of US$1.00 million (equivalent to approximately HK$7.80 million), all of the registered capital has been paid up. The equity interest in Wuhan Electronic was owned as to 25% by the Company and as to 75% by Weihai Electronic before the disposal of Wuhan Electronic. As the applicable percentage ratios (as defined in the Listing Rules) in respect of the disposals, when aggregated, are more than 5% but less than 25%, the disposals constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Details of the disposal of Wuhan Electronic have been set out in the announcement dated 27 September 2013 published by the Company.

* *For identification purpose only*

CONTINUING CONNECTED TRANSACTION

In order to continue certain intragroup transactions between the Group on one hand, and Jia Ya and its subsidiaries (including Abundant Wit Limited, Sumptuous Wealth, Greatest Group Limited, Weihaishi Hongbo Wire & Cable Technology Co., Ltd., Changshu Honglin Electronic Co., Ltd., Honglin Technology, Huizhou Honglin Technology Co., Ltd., Chongqing Honglin Technology Co., Ltd., Shenzhen Honglin Communication Technology Co., Ltd. ("Shenzhen Communication"), Dezhou Honglin Electronic Co., Ltd. ("Dezhou Electronic"), Changshu Honglin Connecting-Technology Co., Ltd., Chenhong International Limited, Hongxin International Limited and Changshu Honglin Wire & Cable Co., Ltd.)) (the "Jia Ya Group") after the completion of the Sumptuous Wealth Disposal on the other hand, on 29 October 2013 (after trading hours), certain members of the Group (including Weihaishi Mingbo Wire & Cable Technology Co., Ltd., Weihai Electronic, Weihai Dongchen, Weihai Jinyuan, Wuhan Technology, Dezhou Jincheng Electric Co., Ltd. ("Dezhou Jincheng"), Rituo Technology, Huizhou Honglin Communication Technology Co., Ltd. and the PRC Company) (the "HL Group") entered into the following agreements (the "CCT Agreements") (the "Continuing Connected Transactions"):

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

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

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

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

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

All the above CCT Agreements will be valid for the period commencing from the date of relevant CCT Agreement or the date on which all conditions precedent to the relevant CCT Agreement having been fulfilled (whichever is later) to 31 December 2014.

Proposed Caps

The following table sets out the annual caps of the Continuing Connected Transactions for each of the two financial years ending 31 December 2013 and 2014 under their corresponding CCT Agreements:

Continuing Connected Transactions

	For the financial year ending 31 December	
	2013	**2014**
	(RMB'000)	*(RMB'000)*
A. Sales of cable, power cord and relevant components to Jia Ya Group	155,000	290,000
(relevant fee for using a supplier code of Jia Ya Group)	*(800)*	*(900)*
B. Supply of finished external and internal signal cable assembly by Jia Ya Group	102,000	202,000
(relevant fee for using a supplier code of HL Group)	*(1,020)*	*(2,020)*
C. Reciprocally Guarantee on banking facilities		
C.1 (a) Guarantee provided by HL Group to Jia Ya Group (excluding exempted financial assistance)	415,000	475,000
(b) Guarantee fee charged by HL Group	9,960	11,400
C.2 (a) Guarantee provided by Jia Ya Group to HL Group (excluding exempted financial assistance)	736,000	856,000
(b) Guarantee fee charged by Jia Ya Group	14,132	16,436
D. Provision of trading services to Weihai Electronic	2,200	2,200
E. Lease of the property and the provision of relevant utility services to Dezhou Jincheng	2,215	3,938

Jia Ya is wholly-owned by Mr. Chi, the controlling shareholder, the chairman and the chief executive officer of the Company and an executive Director who is interested in approximately 40.87% interests of the Company. Following the completion of the Sumptuous Wealth Disposal, Mr. Chi and Jia Ya will, directly or indirectly, wholly own each of the other members of Jia Ya Group (or for Shenzhen Communication, own as to 80%). Accordingly, Mr. Chi and each member of Jia Ya Group are considered to be connected persons of the Company under Chapter 14A of the Listing Rules upon the completion of the Sumptuous Wealth Disposal. The entering into the CCT Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules upon the completion of the Sumptuous Wealth Disposal.

The non-exempted Continuing Connected Transactions (i.e. Continuing Connected Transactions under CCT Agreements (i), (ii) and (iii) above are subject to reporting, announcement, annual review and approval by the independent shareholders requirements under Rule 14A.35 of the Listing Rules as the respective applicable percentage ratios under the Listing Rules exceeds 5% and the corresponding proposed caps exceed HK$10 million.

The exempted Continuing Connected Transactions (i.e. Continuing Connected Transactions under CCT Agreements (iv) and (v) above) are subject to the reporting, announcement and annual review requirements but are exempt from independent shareholders' approval requirements under Rule 14A.34 of the Listing Rules as the respective applicable percentage ratios under the Listing Rules are less than 25% and the corresponding proposed caps are less than HK$10 million.

A general meeting was held on 26 November 2013 and all non-exempted Continuing Connected Transactions have been approved by the independent shareholders.

Details of the continuing connected transactions have been set out in the announcements dated 29 October 2013 and 26 November 2013, and the circular dated 8 November 2013 published by the Company.

DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL OF WUHAN TECHNOLOGY AFTER THE YEAR ENDED 31 DECEMBER 2013

On 10 January 2014, Weihai Electronic, an indirectly 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.*, the "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.*, the "Hubei Kangpusi") serve 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 serve as the guarantor to Hubei Kangpusi.

Wuhan Technology is a company established in the PRC with limited liability by the Weihai Electronic on 24 February 2011. As at 10 January 2014, Wuhan Technology has a registered capital of RMB49,262,400 (equivalent to approximately HK$59.1 million), all of the registered capital has been paid up by 10 January 2014. Wuhan Technology is authorised to engage in, among others, development, manufacture and sale of cable, signal wire and cable, power cord, automotive wiring harness and electronic components according to its business licence. However, it had not commenced any substantive business operation, and had not gained any revenue since its establishment in 2011 up to the date of the disposal agreements.

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The disposal of Wuhan Technology will allow the Group to realise its investment in the loss making business to concentrate its superior resources and cease to provide financial support to the loss making business of Wuhan Technology.

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

DIVIDEND

The Directors considered 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 2013 (2012: 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 2014 (Thursday) to 29 May 2014 (Thursday) (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 2014 (Wednesday).

CORPORATE GOVERNANCE CODE

The Directors recognize 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 Company. 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 chief executive officer ("CEO"). For the year ended 31 December 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 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 have 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 2013.

AUDIT COMMITTEE

The Company established an audit committee (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 provision in the CG Code.

The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2013, the consolidated financial statements for the year ended 31 December 2013 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 2013.

APPOINTMENT OF ERNST & YOUNG

Following the approval by the shareholders at the extraordinary general meeting of the Company held on 29 May 2013, the appointment of Ernst & Young as auditors of the Company took effect.

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 2013. 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 2014 (Thursday) 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 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 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 and CEO

Hong Kong, 27 March 2014

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