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HL Technology Group Limited

泓淋科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1087)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

HIGHLIGHTS	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
CONTINUING OPERATIONS		
Revenue	659,454	660,905
Gross profit	77,051	67,841
Profit before tax from continuing operations	31,497	35,828
Profit for the period from continuing operations	21,204	29,762
DISCONTINUED OPERATION		
Loss for the period from a discontinued operation	(12,537)	(6,273)
Profit for the period	8,667	23,489
Profit attributable to:		
— Owners of the parent	10,434	23,929
— Non-controlling interests	(1,767)	(440)
	8,667	23,489
Earnings per share		
— Basic and diluted (RMB cents)	1.45	3.32

* For identification purposes only

Selected Financial Ratios

	Six months ended 30 June	
	2015 <i>(Approximate)</i>	2014 <i>(Approximate)</i>
Gross profit margin	11.7%	10.3%
Net profit margin	3.2%	4.5%
	As at	As at
	30 June	31 December
	2015	2014
	<i>(Approximate)</i>	<i>(Approximate)</i>
Current ratio (times)	1.4	1.6
Gearing ratio ⁽¹⁾	10.1%	11.8%
Return on total assets ⁽²⁾	1.2%	4.8%
Return on total equity ⁽²⁾	2.5%	11.1%

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

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

Note: All ratios were calculated using data from continuing operations.

CHAIRMAN'S STATEMENT

Performance Review

In the first half of 2015, there was a great development for the Fourth Generation (“4G”) technology, the Mobile Internet technology and the Enterprise Private Network technology, which boosted the continuous development of the whole telecommunication industry. As a reflection, the telecommunication technology has been deeply merged with traditional industry where people are surrounded by various applications of these technologies in their daily life and their working environment, which brings tremendous market demands. In particular, the newly-developed Enterprise Private Network technology has been making great progress as its customer base is expanding rapidly and penetrating into every corner of the world. In the meantime, the traditional telecommunication industry is competitive along with its development as more innovative competitors have been emerging, in particular the business with the three major telecommunication operators has been under intense competitive pressure.

As for the signal transmission and connectivity products, they recorded a substantial loss during the first half of 2015 due to the overall decline and intense competition in the consumer electronics industry. The board (the “Board”) of directors (the “Directors”) of HL Technology Group Limited (the “Company”, together with its subsidiaries, the “Group”) decided to dispose of the business of manufacture and sale of traditional signal transmission and connectivity products for the purpose of group restructuring. Therefore, on 28 April 2015, the Company entered into a sale and purchase agreement with a company owned by Mr. Chi Shaolin (“Mr. Chi”), a director and substantial shareholder of the Company, to dispose of the entire share capital of Honglin International Limited (together with its subsidiaries referred to as “Honglin International”) at a cash consideration of HK\$232,804,729. The disposal of Honglin International was completed on 30 June 2015 and each of the members of Honglin International ceased to be the subsidiaries of the Company. Therefore, Honglin International was classified as a discontinued operation. The comparative condensed consolidated financial statements of profit or loss have been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period. In addition, certain comparative amounts have been reclassified to conform with the current period’s presentation.

Upon the completion of the disposal of Honglin International, the main products line and services provided by the Group are in the area of communication system, which includes network products and services and terminal products. During the six months ended 30 June 2015, the Company made its efforts in (i) disposing of several subsidiaries of the Group to remove its loss making businesses and putting resources into the businesses with stronger profitability and better prospects; (ii) continuously focusing on sales and marketing relying on our advantages in the market and improving efficiency by streamlining departments and reducing the number of staff; and (iii) continuously exploring markets outside the Mainland China, deeply cooperating with the existing customers and attracting new industrial customers.

The Group recorded a total revenue from its continuing operations of approximately RMB659.5 million for the six months ended 30 June 2015, representing a slight decrease as compared to that of approximately RMB660.9 million for the six months ended 30 June 2014. The decrease was mainly attributable to the decrease in the sales of goods and software products during the six months ended 30 June 2015, which was offset by the increase in rendering of services.

The Group's gross profit from its continuing operations for the six months ended 30 June 2015 amounted to approximately RMB77.1 million, representing an increase of approximately RMB9.2 million, or approximately 13.6% as compared to that for the six months ended 30 June 2014. The increase was mainly attributable to the rising proportion of sales of network products related to the Enterprise Private Network technology with higher gross profit.

The Group's net profit from its continuing operations amounted to approximately RMB21.2 million for the six months ended 30 June 2015, representing a decrease of approximately RMB8.6 million, or approximately 28.8%, as compared with that of approximately RMB29.8 million for the six months ended 30 June 2014. The decrease in net profit from its continuing operations was mainly attributable to (i) the increase in other expenses of approximately RMB23.2 million resulting from the impairment loss of prepaid land lease payments, property, plant and equipment and other intangible assets; and (ii) the increase in income tax of approximately RMB4.2 million as a result of higher tax rate incurred in the Mainland China subsidiaries during the process of applying for renewal of the accreditation as the high-tech enterprise. The decrease was partially offset by (i) the increase in gross profit of approximately RMB9.2 million; (ii) the decrease of selling and distribution expenses of approximately RMB4.8 million as a result of the effective cost control and improved efficiency; and (iii) the decrease in finance costs of approximately RMB3.5 million in line with the decrease of loan balances due to the improvement on liquidities of the Group.

Loss from a discontinued operation was approximately RMB12.5 million, which included an operating loss of approximately RMB30.3 million due to the decrease of gross profit under the overall decline and intense competition in consumer electronics industry, and a gain on disposal of the discontinued operation of approximately RMB17.8 million.

In summary, for the six months ended 30 June 2015, the Group recorded profit of approximately RMB8.7 million.

Outlook

In light of the widespread use of the 4G technology, the Mobile Internet technology and the Enterprise Private Network technology, demands on communication system equipment will keep increasing. The Group will accordingly keep increasing its investments in the telecommunication industry, seeking for more partners and working closely with them to develop new products and solutions. The Group will also keep exploring new technologies to be applied in the current product and service areas and new areas. Furthermore, the Group will keep monitoring its business scale and portfolio closely, focusing on putting more resources into the businesses with stronger profitability and better market prospects and proactively seeking for the right opportunities for business restructuring and industrial upgrade to improve the overall sustainable profitability and bring long-term contributions to the shareholders of the Company (the “Shareholders”).

UNAUDITED INTERIM CONSOLIDATED RESULTS

The Board is pleased to announce the unaudited interim consolidated financial results of the Group for the six months ended 30 June 2015 together with the unaudited comparative figures for the corresponding period in 2014. The interim consolidated financial results have not been audited, but have been reviewed by the Company’s audit committee (the “Audit Committee”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2015	2014
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
CONTINUING OPERATIONS			
Revenue	4	659,454	660,905
Cost of sales		(582,403)	(593,064)
Gross profit		<u>77,051</u>	<u>67,841</u>
Other income and gains	4	4,399	3,904
Selling and distribution expenses		(4,015)	(8,793)
Administrative expenses		(15,117)	(15,949)
Other expenses		(26,027)	(2,859)
Finance costs	5	(4,794)	(8,316)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	31,497	35,828
Income tax expense	7	(10,293)	(6,066)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS		21,204	29,762
DISCONTINUED OPERATION			
Loss for the period from a discontinued operation	8	(12,537)	(6,273)
PROFIT FOR THE PERIOD		<u>8,667</u>	<u>23,489</u>
Attributable to:			
Owners of the parent		10,434	23,929
Non-controlling interests		(1,767)	(440)
		<u>8,667</u>	<u>23,489</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	10		
Basic and diluted			
— For profit for the period		<u>RMB1.45 cents</u>	<u>RMB3.32 cents</u>
— For profit from continuing operations		<u>RMB2.95 cents</u>	<u>RMB4.13 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	8,667	23,489
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive loss to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(771)	(259)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	7,896	23,230
Attributable to:		
Owners of the parent	9,663	23,670
Non-controlling interests	(1,767)	(440)
	7,896	23,230

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 June 2015	31 December 2014
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		57,989	315,009
Prepaid land lease payments		42,006	101,447
Investment properties		129,956	–
Goodwill		61,146	61,146
Other intangible assets		99,618	130,734
Available-for-sale investments		15,000	15,000
Deferred tax assets		7,298	7,249
Prepayments for acquiring property, plant and equipment		–	593
Total non-current assets		413,013	631,178
CURRENT ASSETS			
Inventories		33,328	145,382
Trade and bills receivables	11	1,170,703	1,260,905
Prepayments, deposits and other receivables		74,424	198,485
Pledged deposits		–	23,985
Cash and cash equivalents		226,863	169,950
		1,505,318	1,798,707
Assets classified as held for sale		9,754	–
Total current assets		1,515,072	1,798,707
CURRENT LIABILITIES			
Trade and bills payables	12	693,119	867,044
Other payables and accruals		100,103	147,876
Interest-bearing bank and other borrowings		194,430	489,421
Tax payable		59,508	45,349
Total current liabilities		1,047,160	1,549,690

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NET CURRENT ASSETS	<u>467,912</u>	<u>249,017</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>880,925</u>	<u>880,195</u>
NON-CURRENT LIABILITIES		
Deferred tax liabilities	5,730	10,607
Government grants	<u>13,936</u>	<u>14,200</u>
Total non-current liabilities	<u>19,666</u>	<u>24,807</u>
Net assets	<u>861,259</u>	<u>855,388</u>
EQUITY		
Equity attributable to owners of the parent		
Issued capital	97,401	97,401
Reserves	<u>763,858</u>	<u>749,593</u>
	861,259	846,994
Non-controlling interests	<u>–</u>	<u>8,394</u>
Total equity	<u>861,259</u>	<u>855,388</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash flows (used in)/from operating activities	<u>(53,608)</u>	<u>32,524</u>
Net cash flows from investing activities	<u>131,101</u>	<u>43,347</u>
Net cash flows used in financing activities	<u>(19,947)</u>	<u>(61,425)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
CASH EQUIVALENTS	57,546	14,446
Cash and cash equivalents at beginning of period	169,950	62,721
Effect of foreign exchange rate changes, net	<u>(633)</u>	<u>108</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>226,863</u>	<u>77,275</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

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

2.1 BASIS OF PREPARATION

These condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure requirements of the Listing of Securities on The Stock Exchange (the "Listing Rules") and International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board. These condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and basis of preparation used in the preparation of these condensed consolidated financial statements are the same as those used in the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") (which also include International Accounting Standards ("IASs") and Interpretations).

These condensed consolidated financial statements do not include all the information and disclosures required in the Group's annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2014, except for the adoption of the amendments effective as of 1 January 2015, noted below:

Amendments to IAS 19	<i>Defined Benefit Plans: Employee Contributions</i>
<i>Annual Improvements 2010–2012 Cycle</i>	Amendments to a number of IFRSs
<i>Annual Improvements 2011–2013 Cycle</i>	Amendments to a number of IFRSs

The adoption of the above new or revised standards, interpretation and amendments has had no material financial effect on the accounting policies of the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services. During the first half of the current year, the Group underwent a business restructuring and gradually transformed its operation model to sale and marketing oriented. Up to 30 June 2015, the Group substantially completed the business restructuring and changed the structure of the internal organisation in a manner that caused the composition of its reportable segments to change. Based on the new internal organisation as a result of the business restructuring, the Group has two reportable operating segments and the corresponding items of segment information for the six months ended 30 June 2014 have been restated for presentation on the same basis. The two reportable segments are set out as follows:

- (a) The communication system segment engages in providing Private Network solutions, construction of base stations for telecommunication networks including TD-LTE, TD-SCDMA and GSM networks, trading of telecommunication equipment, such as IPRAN, xPON, microwave telecommunication equipment, the manufacture and sale of mobile phone handsets, related accessories and software and Mobile Internet terminals.
- (b) The “others” segment engages in providing rental services of plants and property development.

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

3. OPERATING SEGMENT INFORMATION (CONTINUED)

	Six months ended 30 June 2015 (Unaudited)		
	Communication system RMB'000	Others RMB'000	Total RMB'000
Segment Revenue:			
Sales to external customers	659,454	–	659,454
Sales to a discontinued operation	–	1,626	1,626
	<u>659,454</u>	<u>1,626</u>	<u>661,080</u>
<i>Reconciliation:</i>			
Elimination of sales to a discontinued operation			<u>(1,626)</u>
Revenue from continuing operations			<u>659,454</u>
Segment results	53,396	(15,551)	37,845
<i>Reconciliation:</i>			
Elimination of sales to a discontinued operation			<u>(1,626)</u>
Interest income			318
Unallocated income and gains			3,817
Finance costs			<u>(4,794)</u>
Corporate and other unallocated expenses			<u>(4,063)</u>
Profit before tax from continuing operations			<u>31,497</u>

	Six months ended 30 June 2014 (Unaudited)		
	Communication system RMB'000	Others RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	660,905	–	660,905
Sales to a discontinued operation	–	2,231	2,231
	<u>660,905</u>	<u>2,231</u>	<u>663,136</u>
<i>Reconciliation:</i>			
Elimination of sales to a discontinued operation			<u>(2,231)</u>
Revenue from continuing operations			<u>660,905</u>
Segment results	47,494	(378)	47,116
<i>Reconciliation:</i>			
Elimination of sales to a discontinued operation			<u>(2,231)</u>
Interest income			128
Unallocated income and gains			384
Finance costs			<u>(8,316)</u>
Corporate and other unallocated expenses			<u>(1,253)</u>
Profit before tax from continuing operations			<u>35,828</u>

There were no inter-segment sales during the period.

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Unaudited)
Cost of inventories sold*	581,064	592,233
Depreciation	4,090	4,918
Amortisation of prepaid land lease payments	910	898
Amortisation of other intangible assets**	8,274	9,324
Impairment of property, plant and equipment	5,102	–
Impairment of prepaid land lease payments	9,317	–
Impairment of other intangible assets	14,647	–
(Reversal of impairment)/impairment of trade receivables	(3,211)	2,635
Impairment/(reversal of impairment) of other receivables	115	(86)
Minimum lease payments under operating leases	509	1,002
Auditors' remuneration	600	681
Research and development expenses	928	4,056
Government grants released***	(264)	(3,264)
Employee benefit expenses (including directors' and chief executive's remuneration)		
— Wages and salaries	6,744	20,396
— Pension scheme contributions	228	2,110
— True up of termination benefit	(1,493)	–
	5,479	22,506
Foreign exchange differences, net	55	(510)
Write-down of inventories to net realisable value	–	248
Interest income	(318)	(128)
Gains on disposals of subsidiaries	(3,817)	–

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

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

*** During the reporting period, the Group received government grants for incentives for technology research and development and compensations for purchases of machinery used in the manufacture of communication products. There are no unfulfilled conditions or contingencies attached to these grants.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the six months ended 30 June 2015 (six months ended 30 June 2014: 16.5%) arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Under the income tax law of the People's Republic of China ("PRC"), companies with operations in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% (six months ended 30 June 2014: 15%) on taxable income. Except for the following companies, the subsidiaries of the Company established in Mainland China are subject to CIT at the statutory tax rate of 25% in the following periods:

Name of the subsidiary	Six months ended 30 June	
	2015	2014
瀋陽新郵通信設備有限公司 Shenyang New Postcom Co., Ltd.**	25.0%	15.0%
春霖科技(深圳)有限公司 Chunlin Technology (Shenzhen) Co., Ltd.*	15.0%	15.0%

The company was recognised as a high-tech enterprise by the PRC tax authority in 2009 and was entitled to a 15% CIT rate for years ended 31 December 2009 to 2014. As the high-tech enterprise accreditation has expired and the company is under the process of applying for renewal of the accreditation, management has determined to use the 25% CIT rate for tax computation until the completion of renewal process.

* The English names are for identification purposes only.

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current – Hong Kong	3,215	6,104
Current – Mainland China	12,003	1,135
Deferred	(4,925)	(1,173)
Total tax charge for the period	<u>10,293</u>	<u>6,066</u>

8. DISCONTINUED OPERATION

On 28 April 2015, the Company entered into a sale and purchase agreement with a company owned by Mr. Chi, the director and substantial shareholder of the Company, for the disposal of the entire share capital of Honglin International at a cash consideration of HK\$232,804,729 (equivalent to RMB187,058,600). Honglin International engages in manufacture and sale of traditional signal transmission and connectivity products. The Board decided to cease its signal transmission and connectivity business for the purpose of restructuring and Honglin International was classified as a discontinued operation. With Honglin International classified as a discontinued operation, the signal transmission and connectivity business is no longer included in the note for operating segment information. The transaction was completed on 30 June 2015.

8. DISCONTINUED OPERATION (CONTINUED)

The consolidated results of Honglin International for the period are presented below:

	Six months ended 30 June	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Unaudited)
Revenue	305,983	354,336
Other income and gains	6,911	9,927
Expenses and costs	(327,057)	(353,462)
Finance costs	(16,160)	(17,074)
	<hr/>	<hr/>
Loss for the period	(30,323)	(6,273)
Gain on disposal of the discontinued operation	17,786	–
	<hr/>	<hr/>
Loss for the period from the discontinued operation	(12,537)	(6,273)
	<hr/>	<hr/>
Attributable to:		
Owners of the parent	(10,770)	(5,833)
Non-controlling interests	(1,767)	(440)
	<hr/>	<hr/>
	(12,537)	(6,273)
	<hr/>	<hr/>

The net cash flows incurred by Honglin International are as follows:

	Six months ended 30 June	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Unaudited)
Operating activities	46,938	37,172
Investing activities	125,938	15,886
Financing activities	(19,925)	(61,425)
	<hr/>	<hr/>
Net cash inflow/(outflow)	152,951	(8,367)
	<hr/>	<hr/>
Loss per share:		
Basic and diluted from the discontinued operation	(RMB1.50 cents)	(RMB0.81 cents)
	<hr/>	<hr/>

The calculations of basic and diluted loss per share from the discontinued operation are based on:

	Six months ended 30 June	
	2015 <i>RMB'000</i> (Unaudited)	2014 <i>RMB'000</i> (Unaudited)
Loss attributable to ordinary equity holders of the parent from the discontinued operation	(10,770)	(5,833)
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation (<i>'000</i>)	720,000	720,000
	<hr/>	<hr/>

9. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2015, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2014: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the consolidated profit for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 720,000,000 (six months ended 30 June 2014: 720,000,000) in issue during the period.

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

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation:		
From continuing operations	21,204	29,762
From a discontinued operation	(10,770)	(5,833)
	<u>10,434</u>	<u>23,929</u>
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation ('000)	<u>720,000</u>	<u>720,000</u>
Earnings/(loss) per share:		
Basic and diluted		
For the continuing operations	<u>RMB2.95 cents</u>	<u>RMB4.13 cents</u>
For the discontinued operation	<u>(RMB1.50 cents)</u>	<u>(RMB0.81 cents)</u>

The diluted earnings/(loss) per share is the same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2015 and 30 June 2014.

11. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables	1,168,967	1,243,309
Impairment	(3,098)	(6,945)
Trade receivables, net	<u>1,165,869</u>	<u>1,236,364</u>
Bills receivable	<u>4,834</u>	<u>24,541</u>
	<u>1,170,703</u>	<u>1,260,905</u>

11. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	499,071	800,592
3 to 6 months	104,752	176,257
6 to 12 months	521,438	38,541
1 to 2 years	30,271	98,612
Over 2 years	10,337	122,362
	<u>1,165,869</u>	<u>1,236,364</u>

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
At beginning of period	6,945	3,125
Impairment losses recognised	1,947	3,820
Impairment losses reversed (<i>note 6</i>)	(3,211)	–
Disposal of a subsidiary	(2,583)	–
	<u>3,098</u>	<u>6,945</u>

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	4,834	12,069
Over 3 months but within 6 months	–	12,472
	<u>4,834</u>	<u>24,541</u>

12. TRADE AND BILLS PAYABLES

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	256,544	513,181
3 to 12 months	375,603	146,682
1 to 2 years	33,694	143,355
Over 2 years	27,278	17,423
	<u>693,119</u>	<u>820,641</u>

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within 3 months	–	30,065
3 to 6 months	–	16,338
	<u>–</u>	<u>46,403</u>

MANAGEMENT DISCUSSION AND ANALYSIS

On 28 April 2015, the Company entered into a sale and purchase agreement with a company owned by Mr. Chi, a director and substantial shareholder of the Company, to dispose of the entire share capital of Honglin International at a cash consideration of HK\$232,804,729. Honglin International is principally engaged in manufacture and sale of traditional signal transmission and connectivity products. The Board decided to dispose of the business of manufacture and sale of traditional signal transmission and connectivity products for the purpose of group restructuring. The transaction was completed on 30 June 2015 and each of the members of Honglin International ceased to be the subsidiaries of the Company. Therefore, Honglin International was classified as a discontinued operation.

The comparative condensed consolidated financial statement of profit or loss have been re-presented as if the operation discontinued during the current period had been discontinued at the beginning of the comparative period. In addition, certain comparative amounts have been reclassified to conform with the current period's presentation.

BUSINESS REVIEW

Revenue

The Group recorded a total revenue from its continuing operations of approximately RMB659.5 million for the six months ended 30 June 2015, representing a slight decrease as compared to that of approximately RMB660.9 million for the six months ended 30 June 2014. The decrease was mainly attributable to the decrease in the sales of goods and software products during the six months ended 30 June 2015, which was offset by the increase in rendering of services.

Cost of Sales

The cost of sales from the Group's continuing operations decreased by approximately RMB10.7 million, or approximately 1.8%, from approximately RMB593.1 million for the six months ended 30 June 2014, to approximately RMB582.4 million for the six months ended 30 June 2015. The decrease was mainly attributable to the reduction of in-house costs occurred since the Company rose the proportion of outsourcing which was more efficient and with lower costs.

FINANCIAL REVIEW

Gross Profit and Margin

The Group's gross profit from its continuing operations for the six months ended 30 June 2015 amounted to approximately RMB77.1 million, representing an increase of approximately RMB9.2 million, or approximately 13.6% as compared to that for the six months ended 30 June 2014. The increase was mainly attributable to the rising proportion of sales of network products related to the Enterprise Private Network technology with higher gross profit.

The gross profit margin from the continuing operations increased to approximately 11.7% for the six months ended 30 June 2015 from approximately 10.3% for the six months ended 30 June 2014. The increase was mainly attributable to the rising proportion of revenue from the network products provided to the Enterprise Private Network customers with higher gross profit margin in the first half of 2015.

Other Income and Gains

The Group recorded other income and gains from its continuing operations of approximately RMB4.4 million for the six months ended 30 June 2015 including (i) gains on disposals of subsidiaries of the Group of approximately RMB3.8 million; (ii) approximately RMB0.3 million from the government grants released during the period; and (iii) approximately RMB0.3 million from the interest income.

Selling and Distribution Expenses

The selling and distribution expenses from the Group's continuing operations decreased by approximately RMB4.8 million for the six months ended 30 June 2015, or approximately 54.3%, as compared with that for the six months ended 30 June 2014. The decrease was mainly attributable to the significant decrease in staff costs in line with the reduced number of staff.

Administrative Expenses

The administrative expenses from the Group's continuing operations decreased by approximately RMB0.8 million for the six months ended 30 June 2015, or approximately 5.2%, as compared with that for the six months ended 30 June 2014.

Other Expenses

Other expenses from the Group's continuing operations amounted to approximately RMB26.0 million, which was primarily attributable to (i) the impairment loss of approximately RMB14.6 million recognised in respect of customer relationship with the three major telecommunication operators; (ii) the impairment loss of approximately RMB9.3 million recognised in respect of prepaid land lease payments; (iii) the impairment loss of approximately RMB5.1 million recognised in respect of property, plant and equipment; and (iv) reversal of impairment recognised in respect of trade receivables of approximately RMB3.2 million.

Finance Costs

The finance costs from the Group's continuing operations decreased by approximately RMB3.5 million for the six months ended 30 June 2015, or approximately 42.4%, as compared with that for the six months ended 30 June 2014. The decrease mainly attributable to the reduction of outstanding loan balance of the Group.

Income Tax Expense

The Group incurred income tax expense from its continuing operations of approximately RMB10.3 million for the six months ended 30 June 2015 primarily due to the current PRC Enterprise Income Tax expense and Hong Kong Profits Tax incurred. Overall, the Group's effective tax rate for the six months ended 30 June 2015 was 32.7%, compared with 16.9% for the six months ended 30 June 2014.

Profit for the Period

The Group's net profit from its continuing operations amounted to approximately RMB21.2 million for the six months ended 30 June 2015, representing a decrease of approximately RMB8.6 million, or approximately 28.8%, as compared with that of approximately RMB29.8 million for the six months ended 30 June 2014. The decrease in net profit from its continuing operations was mainly attributable to (i) the increase in other expenses of approximately RMB23.2 million resulting from the impairment loss of prepaid land lease payments, property, plant and equipment and other intangible assets; and (ii) the increase in income tax of approximately RMB4.2 million as a result of higher tax rate incurred in the Mainland China subsidiaries during the process of applying for renewal of the accreditation as the high-tech enterprise. The decrease was partially offset by (i) the increase in gross profit of approximately RMB9.2 million; (ii) the decrease in selling and distribution expenses of approximately RMB4.8 million as a result of the effective cost control and improved efficiency; and (iii) the decrease of finance costs of approximately RMB3.5 million in line with the decrease of loan balances due to the improvement on liquidities of the Group.

Loss from a discontinued operation was approximately RMB12.5 million, which included an operating loss of approximately RMB30.3 million due to the decrease of gross profit under the overall decline and intense competition in consumer electronics industry, and a gain on disposal of the discontinued operation of approximately RMB17.8 million.

In summary, for the six months ended 30 June 2015, the Group recorded profit of approximately RMB8.7 million.

Liquidity and Financial Resources

The Group continues to implement prudent financial management policies and maintains a reasonable gearing ratio during its operations. As at 30 June 2015, the Group's gearing ratio (measured by total short-term borrowings from continuing operations as a percentage of total assets from continuing operations) was approximately 10.1% (31 December 2014: approximately 11.8%).

As at 30 June 2015, the total interest-bearing bank and other borrowings of the Group amounted to approximately RMB194.4 million (31 December 2014: approximately RMB489.4 million). Out of the interest-bearing bank and other borrowings, approximately RMB94.4 million were secured loans and carried interests at floating rates, and approximately RMB100.0 million carried interests at fixed rates. The interest-bearing bank and other borrowings decreased by approximately RMB295.0 million because the Group disposed of Honglin International and did not renew some bank borrowings upon their maturity.

As at 30 June 2015, the Group pledged its land use right and buildings to certain banks to secure the bank loans of the Group and obtain general banking facilities for the Group.

Save as aforesaid or as otherwise disclosed in this announcement, and apart from intragroup liabilities, the Company did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtednesses, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as at the close of business on 30 June 2015.

The Directors have confirmed that there has been no material change in the indebtednesses and contingent liabilities of the Group since 30 June 2015 to the date of this announcement.

Foreign Currency Risk

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

Working Capital

Inventories balance as at 30 June 2015 was approximately RMB33.3 million (31 December 2014: approximately RMB145.4 million). The significant decrease in inventories was mainly attributable to the inventory control and the effect of the disposal of Honglin International. The average turnover days for inventories (calculated by using the data from continuing operations) were 8 days as at 30 June 2015 (30 June 2014: 3 days). The relatively short turnover days for inventories was mainly due to that the outsourcing products were usually delivered to our customers directly.

Trade and bills receivables balance as at 30 June 2015 was approximately RMB1,170.7 million (31 December 2014: approximately RMB1,260.9 million). The decrease in trade and bills receivables balance was mainly due to the effect of the disposal of Honglin International, which was partially offset by the increase in trade and bills receivables balance in the continuing operations. The average turnover days for trade and bills receivables (calculated by using the data from continuing operations) increased to 289 days (30 June 2014: 256 days) which was mainly due to the rising proportion of sales with relatively long credit period. As at 30 June 2015, approximately 42.8% of our trade and bills receivables was aged within three months.

Trade and bills payables balance as at 30 June 2015 was approximately RMB693.1 million (31 December 2014: approximately RMB867.0 million). The decrease in trade and bills payables balance was mainly due to the effect of the disposal of Honglin International. The average turnover days for trade and bills payables (calculated by using the data from continuing operations) increased to 214 days as at 30 June 2015 (30 June 2014: 192 days). The increase in turnover days was mainly due to the rising proportion of purchase with relatively long payable credit period.

The Group's cash conversion cycle (calculated by using the data from continuing operations) for the six months ended 30 June 2015 was 83 days as compared with 67 days for the six months ended 30 June 2014.

Cash Flows

For the six months ended 30 June 2015, the net cash used in operating activities was approximately RMB53.6 million, which was primarily due to the increased repayments.

The net cash from the investing activities for the six months ended 30 June 2015 of approximately RMB131.1 million was primarily attributable to cash inflows from the disposal of subsidiaries of the Group.

The net cash used in financing activities for the six months ended 30 June 2015 of approximately RMB19.9 million was primarily attributable to repayments of bank loans and other borrowings.

Capital Expenditures

For the six months ended 30 June 2015, the Group incurred capital expenditures of approximately RMB17.9 million in the purchases of intangible assets and property, plant and equipment.

Capital Commitments

As at 30 June 2015, the Group had capital commitments of approximately RMB5.4 million in respect of the acquisitions of property, plant and equipment. As at 31 December 2014, the Group had capital commitments of approximately RMB7.9 million in respect of the acquisitions of property, plant and equipment.

Contingent Liabilities

A subsidiary of the Group is currently a defendant in a lawsuit in relation to a commissioned development contract in software of handset in the PRC. Since the litigation is likely to continue for a considerable period of time and the Board believes that the outcome of this claim cannot be reliably estimated, only the related legal and other costs have been provided for.

The Group underwent several reorganisations, including disposal of the entire interest of Honglin International in the current period and splitting-off of 威海市裕博綫纜科技有限公 司 (Weihaishi Yubo Wire & Cable Technology Co., Ltd., "Weihai Yubo"). The Group has filed the reorganisations, if required, with the relevant tax authorities. However, those reorganisations may be subject to further investigations if initiated and requested by the relevant tax authorities. The Directors believe that the taxes arising from those reorganisations have been properly dealt with and provided for in the financial statements for the current

* For identification purpose only

period. Given the complexity of relevant tax laws and regulations and the diversified practice of respective tax authorities in the PRC, the Directors consider that the existence of any additional tax obligation arising from those reorganisations cannot be confirmed until completion of such further investigation, if any, and/or issuance of any written notice by relevant tax authorities. Therefore, the possible obligation of such additional tax has not been provided for.

Employees

As at at 30 June 2015, the subsidiaries of the Group had a total of 158 staff (30 June 2014: 1,339). The breakdown of the employees of the Group as at 30 June 2015 and 2014 is as follows:

	As at 30 June 15	As at 30 June 14
Manufacturing	32	460
Sales and marketing	77	289
General and administration	32	362
Research and development	14	129
Quality and control	3	99
	<hr/>	<hr/>
Total	158	1,339
	<hr/>	<hr/>

The significant decrease in the number of employees as at 30 June 2015 as compared with that as at 30 June 2014 was mainly due to the fact that (i) the Group completed the disposal of Honglin International and all the staff of Honglin International were not included; and (ii) the Group streamlined departments and reduced the number of staff to improve efficiency during the period. Compensation policy of the Group is determined by evaluating individual performance of the employees and has been reviewed regularly.

MAJOR AND CONNECTED TRANSACTION IN RELATION TO DISPOSAL OF HONGLIN INTERNATIONAL

On 28 April 2015, the Company entered into a sale and purchase agreement to dispose of the entire interest in Honglin International with Jia Ya Developments Limited (“Jia Ya”) and Mr. Chi at initial cash consideration of HK\$255 million (the “Disposal 1”).

Jia Ya is a company incorporated in the British Virgin Islands with limited liability and is wholly-owned by Mr. Chi.

As certain applicable percentage ratio (as calculated in accordance with Rule 14.07 of the Listing Rules) for Disposal 1 was more than 25% but less than 75%, the Disposal 1 constituted a major transaction of the Company under the Listing Rules. Besides, Mr. Chi is a substantial Shareholder, an executive Director and the chief executive officer of the Company, who is interested in as to approximately 14.5% of the Company as at the date of this results announcement, each of Mr. Chi and Jia Ya was a connected person (as defined in the Listing Rules) of the Company, and Disposal 1 also constituted 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. Disposal 1 and the transactions contemplated under the sale and purchase agreement were approved by the independent Shareholders at the extraordinary general meeting of the Company held on 25 June 2015. Disposal 1 was completed on 30 June 2015 at a final cash consideration of HK\$232,804,729 as mutually agreed by the parties to the sale and purchase agreement.

Details of Disposal 1 have been set out in the announcements of the Company dated 28 April 2015 and 30 June 2015 and the circular of the Company dated 10 June 2015.

CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE ENTRUSTMENT LOAN AGREEMENT AND THE TENANCY AGREEMENT

On 28 April 2015, Weihai Yubo entered into an entrustment loan agreement with 威海市泓淋電子有限公司 (Weihaishi Honglin Electronic Co., Ltd.*, "Weihai Electronic") pursuant to which Weihai Yubo had entrusted the bank in the PRC which possesses the relevant qualifications (the "Bank") to provide an entrustment loan in the principal amount of not more than RMB95 million to Weihai Electronic and the total amount of the entrustment loan, including the principal amount and the interest accrued at any time during the term of the entrustment loan agreement, shall not be more than RMB102 million. Pursuant to the entrustment loan agreement, Weihai Yubo was required to provide a pledge of land and property to the Bank to guarantee the principal amount of the entrustment loan aforesaid.

On the same date, Weihai Yubo entered into a tenancy agreement with Weihai Electronic, pursuant to which Weihai Yubo shall continue to lease to Weihai Electronic the land and the property erected thereon owned by Weihai Yubo. The lease term is from 28 April 2015 to 31 December 2017. The rental is RMB100 per square meter per year and the total rental shall not be more than RMB4,000,000 in each of the three financial years ending 31 December 2017.

Weihai Yubo is a company established in the PRC with limited liability. The principal business of Weihai Yubo is investment holding and provision of rental services of plants.

Weihai Electronic is a company established in the PRC with limited liability. The principal business of Weihai Electronic is manufacture and sale of power cord cable and assembly products and investment holding.

Upon completion of Disposal 1, Weihai Electronic would become a connected person of the Group, and the transactions contemplated under the entrustment loan agreement, the corresponding asset pledge agreement as well as the tenancy agreement shall become continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Details of such continuing connected transactions have been set out in the announcements of the Company dated 28 April 2015 and 30 June 2015, and the circular of the Company dated 10 June 2015.

* For identification purpose only

EVENTS AFTER THE END OF THE REPORTING PERIOD

Disposal of 100% equity interest in Weihai Yubo

On 8 July 2015, the Company entered into a sale and purchase agreement to dispose of 100% equity interest in Weihai Yubo with Meadow Bridge Limited (“Meadow Bridge”) and 張克東 (Mr. Zhang Kedong) (“Mr. Zhang”) at cash consideration of RMB65 million (eor HK\$82 million) (the “Disposal 2”).

Meadow Bridge is a company incorporated in Anguilla, the British West Indies with limited liability and wholly owned by Mr. Zhang.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in relation to Disposal 2 exceed(s) 5% but is/are less than 25%, the Disposal 2 constituted a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Details of Disposal 2 have been set out in the announcement of the Company dated 8 July 2015.

Share Repurchase

On 15 July 2015, a consensus was reached between the Directors that the Company may repurchase an amount of up to HK\$200 million worth of shares of the Company (“Shares”) for a period of 2 weeks from 15 July 2015 pursuant to the repurchase mandate granted to the Board at the annual general meeting of the Company held on 29 May 2015. On 24 July 2015, the Company announced that the Company have repurchased an aggregate of 50,000,000 Shares with price range of HK\$3.48 per Share to HK\$4.10 per Share from the open market from 16 July 2015 to 23 July 2015 (the “Repurchase”), representing approximately 6.94% of the issued share capital of the Company as at 24 July 2015. The aggregate consideration of the Repurchase was HK\$189,772,000.

Details regarding the Repurchase have been set out in the announcements of the Company dated 15 July 2015 and 24 July 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2015, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE

The Directors recognise the importance of incorporating the elements of good corporate governance into the management structure and internal control procedures of the Group so as to achieve effective accountability to the Shareholders. The Board strived to uphold good corporate governance and adopted sound corporate governance practices continuously in the interest of the Shareholders to enhance the overall performance of the Company. The principles and the code provisions of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules have been adopted by the Company. The Company also complied with the CG Code throughout the six months ended 30 June 2015 except for the following deviation:

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The Group does not at present separate the roles of the chairman of the Board and the chief executive officer of the Company (the “CEO”). For the six months ended 30 June 2015, Mr. Chi is both the chairman of the Board and the CEO of the Group. The Board considers that vesting the roles of chairman of the Board and CEO in the same individual is beneficial to the business prospects and management of the Group. The Board will review the need of appointing suitable candidate to assume the role of CEO when necessary.

AUDIT COMMITTEE

The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. As at the date of this announcement, the Audit Committee consists of five members, namely, Mr. Thomas Tam, Mr. Pao Ping Wing, Ms. Zheng Lin, Mr. Qu Wen Zhou and Mr. Lu, Brian Yong Chen, all of whom are independent non-executive Directors. Mr. Thomas Tam currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the Listing Rules and the CG Code. During the six months ended 30 June 2015 under review, the Audit Committee convened one meeting with an attendance of 100%.

The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed about the auditing, internal controls, and financial reporting matters including the review of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2015 and this announcement.

The financial results for the six months ended 30 June 2015 have not been audited.

MODEL CODE FOR SECURITIES TRANSACTION BY THE DIRECTORS

The Company has adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding the Directors’ securities transactions during the six months ended 30 June 2015.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil).

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained the prescribed public float of not less than 25% of the Company’s issued shares as required under the Listing Rules during the six months ended 30 June 2015.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2015 containing all the applicable information required by the Listing Rules will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.hong-lin.com.cn) in due course. Printed copies will be despatched to the Shareholders in due course.

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

Hong Kong, 28 August 2015

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