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 2011

HIGHLIGHTS

	Six months ended 30 June		
	2011	2010	Change
	RMB'000	*RMB'000*	%
Revenue	**881,691**	635,680	38.7
Gross profit	**187,932**	143,974	30.5
Profit before taxation	**98,137**	78,454	25.1
Profit for the period	**90,754**	70,201	29.3
Profit attributable to:			
— Owners of the Company	**88,189**	69,701	26.5
— Non-controlling interests	**2,565**	500	413.0
Earnings per share			
— Basic (RMB cents)	**12.2**	13.3	(8.3)

Selected Financial Ratios
For the six months ended 30 June

	2011	2010
Gross profit margin	**21.3%**	22.6%
Net profit margin	**10.3%**	11.0%
Current ratio (times)	**1.3**	0.9
Gearing ratio	**35.3%**	39.9%
Return on total assets*	**4.2%**	6.2%
Return on total equity*	**9.1%**	18.4%

* The above ratios are calculated by using average balances of total assets and total equity.

CHAIRMAN'S STATEMENT — BUSINESS REVIEW

The first half of year 2011 was both eventful and successful. We have been diligently utilizing the funds raised from our initial public offering in November 2010 to better position HL Technology on the right track for future success: by building new production bases, expanding production capacity, recruiting necessary talent and positioning ourselves for future growth with the acquisitions of Tianjin Rituo and Huizhou Daya Bay as well as our continued innovations and investment in future markets.

Whilst the global 3Cs (computing, communication and consumer) markets face some uncertainties in recent months due to the impact of the March 2011 Japanese earthquake, continued Middle East unrest and weakness in the American and European economies, we have in the first half of 2011, seen an overall increased level of procurement across majority of our product types from our key customers as we continue to increase our market share in most of our target markets. We believe this is due to our demonstrated set of core competencies, which include i) our ability to supply one-stop R&D solutions and products, thereby enabling us to meet the ever changing product requirements by our customers and also helping them to reduce overall procurement cost and increase manufacturing efficiency; ii) strong long-term relationships with our customers, which translate into recurring business; iii) strategically located production and distribution network and a flat management structure which allow us to meet and respond to customers' needs and demands efficiently and flexibly in a cost efficient manner; and iv) strong production capability and unique vertically integrated business model that gives us economies of scale and cost advantages which allows us to have the ability to competitively price our products for the benefits of our customers.

Overall, we believe we have become a stronger player in our target markets with our capability for product innovation and commitment to research & development being increasingly recognized by our customers (both existing and new). Whilst we continue to expand our existing markets, we have also been demonstrating our commitment to implement a sustainable strategy for long-term profitable growth by gradually entering into new markets. The main themes of the first half of 2011 could be summarized as below:

Winning market share

By leveraging on our above mentioned core competencies, we continue to gain market share in our key target markets as we witnessed increased level of procurement from our key customers for all of our key products offering. As the global sourcing for wire and cable assembly products continue to shift to China, we believe that we are extremely well-positioned to benefit from such ongoing change in the industry landscape.

Enhancing our customer base

In the first half of 2011, we continue to gain momentum in adding new quality customers and in addition to entering the supply chain of leading Japanese consumer electronics brand such as Canon, Panasonic and Sharp since late 2010, we have made great strides in adding leading international customers in the North American and Chinese markets such as Apple, Dell and Huawei. As at 30 June 2011, our number of customers stood at 193 as compared to 177 as at 31 December 2010, but going forward, in terms of customers, we would continue to focus on quality instead of quantity as we continue to enhance our customer base in order to focus our production capacity on serving strategically more important customers.

Securing future growth

In order to continue to grow profitably, we have been actively investing in the first half of 2011 in order to better position ourselves for future growth.

Production capacity and manufacturing knowhow

We have expanded production capacity for almost all our product types by adding new production lines and/or procuring additional equipment. To further improve our manufacturing efficiency and yield rate, we are also committed to further increase our level of automation. For products such as internal signal cable assembly, we have managed to gradually reduce the number of direct labour involved whilst increasing the production level by utilizing our internally developed automated production line.

To further expand our production scale, we are also in the process of establishing new production base in key consumer electronic and communication product manufacturing hubs in China such as Chongqing, Huizhou and Wuhan.

Acquisition

We have managed to increase the diversity of our products portfolio and customer base through two important acquisitions: the acquisition of Tianjin Rituo, which marked our entry into the China automotive wiring harness market and the acquisition of Huizhou Daya Bay, which gave our communication cable business access to leading telecommunication equipment operators in China.

Recruiting and retaining talent

Recruitment, retention and development of talented people continues to be one of the highest priorities for our Group. With the successful listing of our Group, we have been successful in leveraging our listing status platform and growth potential to attract and retain key talent across various business functions including sales, management and R&D to join our Group in the past six months. We believe that such strengthening of management team will continue to add momentum to our operations and expansion going forward.

Developing future markets

Through innovation, we open up new markets to meet the ever increasing demand by end users for signal transmission and connectivity with faster speed, higher definition and larger bandwidth attributes. For example, our internally developed high speed cable MINI-DP can be used for Intel's Thunderbolt I/O port, which is a revolutionary new I/O technology that delivers an amazing 10 gigabits per second. With increasing pace of life and volume of data being transferred, high speed and frequency transmission is an inevitable industry trend with many market applications. We have a dedicated team of engineers and researchers focusing on developing more new high frequency products in this area.

We have also made encouraging progress in new markets such as photovoltaic connectors and specialty power cable as we continue to refine our products offering, establishing new production line and getting the necessary product certification to prepare for the formal product launch within the next twelve months.

Overall, our investment in research and development amounted to approximately RMB25.2 million for the six months ended 30 June 2011 as compared to approximately RMB12.7 million for the same period last year.

Outlook

We remain cautiously optimistic for the second half of 2011 as it is widely expected that the global consumer electronic supply chain will gradually make a full recovery from the impact of the March 2011 Japanese earthquake by the third quarter of 2011. Despite continuing risks, the global economy and 3Cs markets are expected to grow moderately in 2011. At the same time, we will continue to leverage our core competencies to gain market share in our target markets while making the necessary investment and preparation today in order to position ourselves for sustainable future growth. We look forward to your support in achieving this.

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors (the "**Director(s)**") of HL Technology Group Limited. (the "**Company**" or "**HL Technology**") is pleased to announce the interim financial information of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2011 together with the audited comparative figures for the corresponding period in 2010. The interim financial information have not been audited, but have been reviewed by the auditors, Deloitte Touche Tohmatsu, and the Company's audit committee (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	NOTES	**Six months ended 30 June** **2011** ***RMB'000*** **(unaudited)**	2010 *RMB'000* (audited)
Revenue	3	**881,691**	635,680
Cost of sales		**(693,759)**	(491,706)
Gross profit		**187,932**	143,974
Other income, other gains and losses	4	**17,398**	(1,958)
Distribution and selling expenses		**(22,061)**	(12,859)
Administrative and general expenses		**(48,933)**	(29,039)
Research and development expenses		**(25,201)**	(12,735)
Finance costs	5	**(10,998)**	(8,929)
Profit before taxation	6	**98,137**	78,454
Income tax expenses	7	**(7,383)**	(8,253)
Profit for the period		**90,754**	70,201
Other comprehensive income, net of income tax			
Exchange difference on translating of foreign operations		**(111)**	—
Total comprehensive income for the period		**90,643**	70,201
Profit attributable to:			
— Owners of the Company		**88,189**	69,701
— Non-controlling interests		**2,565**	500
		90,754	70,201
Total comprehensive income attributable to:			
— Owners of the Company		**88,078**	69,701
— Non-controlling interests		**2,565**	500
		90,643	70,201
Earnings per share			
— Basic (RMB cents)	9	**12.2**	13.3

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	NOTES	**As at 30 June 2011** *RMB'000* **(unaudited)**	As at 31 December 2010 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**587,888**	448,875
Prepaid lease payments		**47,815**	30,108
Intangible assets		**35,849**	9,672
Goodwill		**7,052**	—
Deferred tax assets		**6,161**	2,716
		684,765	491,371
CURRENT ASSETS			
Inventories		**320,843**	178,541
Trade and other receivables	10	**804,971**	725,544
Prepaid lease payments		**718**	642
Restricted bank balances		**428,698**	424,714
Bank balances and cash		**138,045**	160,408
		1,693,275	1,489,849
CURRENT LIABILITIES			
Trade and other payables	11	**457,820**	384,569
Other financial liabilities		**3,284**	1,879
Income tax liabilities		**9,056**	8,195
Bank borrowings		**839,360**	663,106
		1,309,520	1,057,749
NET CURRENT ASSETS		**383,755**	432,100
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,068,520**	923,471
CAPITAL AND RESERVES			
Share capital		**97,401**	97,401
Reserves		**904,139**	812,487
Equity attributable to owners of the Company		**1,001,540**	909,888
Non-controlling interests		**60,919**	13,583
TOTAL EQUITY		**1,062,459**	923,471
NON-CURRENT LIABILITY		**6,061**	—
Deferred tax liabilities		**6,061**	—
		1,068,520	923,471

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2011

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
OPERATING ACTIVITIES		
Profit before taxation	**98,137**	78,454
Adjustments for:		
Finance costs	**10,998**	8,929
Interest income	**(1,963)**	(138)
Depreciation of property, plant and equipment	**22,493**	17,964
Amortization of intangible assets	**1,873**	575
Release of prepaid lease payments	**332**	161
(Gains) losses on disposals of property, plant and equipment	**(1,851)**	75
(Gains) losses on disposals of prepaid lease payments	**(175)**	—
Changes in fair values of derivative financial instruments	**446**	1,752
Allowances for trade and other receivables — net	**13**	478
Exchange gains relating to bank borrowings	**(12,231)**	(870)
Recognition of share-based payments	**3,574**	3,573
Excess over the cost of business combination, provisional relating to Huizhou Daya Acquisition	**(4,036)**	—
Operating cash flows before movements in working capital	**117,610**	110,953
Decrease (increase) in trade and other receivables	**68,124**	(169,412)
(Increase) in inventories	**(92,966)**	(69,712)
(Decrease) increase in trade and other payables	**(64,738)**	1,377
Settlement of derivative financial instruments	**(1,851)**	(2,324)
Cash generated from (used in) operations	**26,179**	(129,118)
Income taxes paid	**(10,270)**	(6,017)
Interest paid	**(13,348)**	(8,964)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	**2,561**	(144,099)

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(148,303)**	(40,340)
Purchase of prepaid lease payments	**(18,839)**	(11,487)
Net cash outflow in respect of Huizhou Daya Acquisition	**(8,033)**	—
Placement of pledged bank deposits	**(47,743)**	(49,148)
Release of pledged bank deposits	**43,759**	51,573
Purchase of intangible assets	**(1,940)**	(3,385)
Proceeds on disposals of property, plant and equipment and prepaid lease payments	**20,741**	14,008
Net cash inflow in respect of Tianjin Rituo Acquisition	**6,750**	—
Interest received	**1,963**	138
NET CASH USED IN INVESTING ACTIVITIES	**(151,645)**	(38,641)
FINANCING ACTIVITIES		
New borrowings raised	**564,029**	452,883
Repayments of borrowings	**(437,308)**	(303,697)
Capital contribution from owners of the Company	**—**	34,140
Capital contribution of subsidiaries	**—**	840
NET CASH FROM FINANCING ACTIVITIES	**126,721**	184,166
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(22,363)**	1,426
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**160,408**	73,744
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, represented by bank balances and cash	**138,045**	75,170

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2011

1. GENERAL

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with the International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB").

The condensed consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the Company and the principal subsidiaries).

The Group is mainly engaged in the manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors.

The shares of the Company have been listed on the Main Board of the Stock Exchange since 16 November 2010 (the "Listing").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2011 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations (the "New or Revised IFRSs") issued by the IASB:

IFRSs (Amendments)	Improvements to IFRSs 2010
IAS 24 (Revised)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above New or Revised IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

The Group has not early adopted new or revised standards and amendments that have been issued but are not yet effective. The following new or revised standards and amendments have been issued after the date of the consolidated financial statements for the year ended 31 December 2010 were authorized for issuance and are not yet effective:

IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[2]
IAS 19 (Revised 2011)	Employee Benefits[1]
IAS 27 (Revised 2011)	Separate Financial Statements[1]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[1]

1 Effective for annual periods beginning on or after 1 January 2013
2 Effective for annual periods beginning on or after 1 July 2012

The directors of the Company anticipate that the application of the new or revised standards and amendments will have no material impact on the results and the financial position of the Group.

3. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the net amounts received and receivable for sales of goods sold to customers during the period under review.

(b) Segment information

The Group's chief operating decision maker (the "CODM") has been identified as the chief executive officer of the Company who reviews the business based on the following reportable segments organized by products:

— External signal cable assembly

— Internal signal cable assembly

— Power cord assembly

— Wire and cable

— Connectors

— Antennas

— Automotive wiring harness (note below)

— Other products

Note: During the six months ended 30 June 2011, a new reportable segment in respect of automotive wiring harness was identified upon the acquisition of 天津日拓汽車電裝有限公司 (Tianjin Rituo Automotive Electronic Co., Ltd., "Tianjin Rituo").

The above segments have been identified on the basis of internal management reports prepared and regularly reviewed by the CODM when making decisions about allocating resources and assessing performance of the Group.

Information about reportable segment revenues and results

The following table sets forth a breakdown of the Group's revenue and results by reportable segments during the period under review:

	External signal cable assembly	**Internal signal cable assembly**	**Power cord assembly**	**Wire and cable**	**Connectors**	**Antennas**	**Automotive wiring harness**	**Other products**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	181,940	169,109	136,434	236,449	28,227	18,943	68,953	41,636	881,691
Segment results	36,859	48,982	18,555	48,223	8,913	4,203	14,042	8,155	187,932
Six months ended 30 June 2010 (audited)									
Segment revenue	160,359	137,354	112,810	153,212	20,376	3,948	—	47,621	635,680
Segment results	36,603	38,039	19,862	30,165	6,242	529	—	12,534	143,974

Note: Subsequent to 31 December 2010, an additional segment of antennas was reported to the CODM for review. Segment information for the prior period has been restated to conform with the presentation of the internal management report for the six months ended 30 June 2010.

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

The segment results represent segment revenue less segment cost of sales determined on a standard cost basis, which represents the internally generated financial information regularly reviewed by the chief operating decision maker. However, the other gains and losses, distribution and selling expenses, administrative and general expenses, research and development expenses and finance costs are not entirely allocated to each reportable segment.

The reportable segment results are reconciled to profit after taxation of the Group as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Reportable segment results	**187,932**	143,974
Unallocated income and expenses:		
— Other income, other gains and losses	**17,398**	(1,958)
— Distribution and selling expenses	**(22,061)**	(12,859)
— Administrative and general expenses	**(48,933)**	(29,039)
— Research and development expenses	**(25,201)**	(12,735)
— Finance costs	**(10,998)**	(8,929)
Profit before taxation	**98,137**	78,454
Income tax expenses	**(7,383)**	(8,253)
Profit for the period	**90,754**	70,201

Information about major customers

The following table sets forth a breakdown of the Group's major customers individually accounted for over 10% of the Group's total revenue from the external signal cable assembly, internal signal cable assembly, power cord assembly, connectors and other products segments during the period under review.

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
— Customer A	**107,904**	N/A*
— Customer B	**106,943**	82,393

* Less than 10% of the Group's total revenue.

4. OTHER INCOME, OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Net foreign exchange gains (losses)	**6,130**	(1,208)
Government grants (note below)	**3,689**	939
Interest income	**1,963**	138
Gains (losses) on disposal of property, plant and equipment	**1,851**	(75)
Gains (losses) on disposal of prepaid lease payment	**175**	—
Changes in fair value of derivative financial instruments	**(446)**	(1,752)
Excess over cost of a business combination, provisional	**4,036**	—
	17,398	(1,958)

Note: The government grants mainly represent non-recurring government subsidies received from the local government as incentives for business and technological development of the Group. There are no unfulfilled conditions or other contingencies attaching to such government grants nor asset related. The grants were recognised in profit or loss in the current period as the related costs were incurred for which the grants were intended to compensate during the period under review.

5. FINANCE COSTS

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Interest on borrowings wholly repayable within five years	**13,348**	8,964
Less: Amount capitalized in respect of cost of qualified assets	**(2,350)**	(35)
	10,998	8,929

Borrowing costs capitalized during the six months ended 30 June 2011 arose on the general borrowing pool and are calculated by applying capitalization rates ranging from 5.21% to 6.11% per annum (six months period ended 30 June 2010: 5.16% per annum) to expenditure on qualifying assets.

6. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging (crediting):

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Staff cost (including directors' emoluments)		
— Salaries and other benefits	**102,148**	68,534
— Retirement benefit scheme contributions	**4,056**	2,483
— Share-based payments	**3,574**	3,573
	109,778	74,590
Depreciation and amortization:		
— Property, plant and equipment	**22,493**	17,964
— Intangible assets	**1,873**	575
	24,366	18,539
Release of prepaid lease payments	**332**	161
Cost of inventories recognized as an expense included in		
— Cost of sales	**693,759**	49,706
— Research and development expenses	**11,369**	4,409
	705,128	496,115
Allowance for (reversal of) doubtful debts relating to:		
— Trade receivables	**13**	536
— Other receivables	**—**	(58)
	13	478

7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Current tax		
— PRC Enterprise Income Tax ("EIT")	**11,810**	10,115
— Overprovision of EIT in prior periods	**(679)**	(2,267)
	11,131	7,848
Deferred tax		
— Current period	**(3,748)**	405
	7,383	8,253

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong during the period under review.

The statutory tax rate of 泓淋科技有限公司 (Honglin Technology Co., Ltd.#), a subsidiary established in Taiwan on 21 July 2010, was 17%. No provision for Taiwan income tax has been made as this subsidiary did not have any taxable income for the period under review.

The statutory tax rate of Hongxin International Limited ("Hongxin International"), a subsidiary incorporated in Hong Kong on 22 February 2010, was 16.5% (six month ended 30 June 2010: 16.5%). No provision for Hong Kong Profits Tax has been made as Hongxin International did not have any assessable income for the period under review.

The applicable income tax rates of the Company's PRC subsidiaries for the period under review are as follows:

Name of the subsidiary	Six months ended 30 June	
	2011	2010
	%	%
威海市泓淋電子有限公司 (Weihai Honglin Electronic Co., Ltd.#, "Weihai Electronic")	**15.0**	15.0
威海市泓淋電綫電纜有限公司 (Weihai Honglin Wire & Cable Co., Ltd.#, "Weihai Cable")	**15.0**	15.0
常熟泓淋電子有限公司 (Changshu Honglin Electronic Co., Ltd.#)	**12.5**	12.5
常熟泓淋電綫電纜有限公司 (Changshu Honglin Wire & Cable Co., Ltd.#)	**12.5**	12.5
常熟泓淋連接技術有限公司 (Changshu Honglin Connecting — Technology Co., Ltd.#)	**12.5**	12.5
德州泓淋電子有限公司 (Dezhou Honglin Electronic Co., Ltd.#)	**12.5**	12.5
武漢市泓淋電子有限公司 (Wuhan Honglin Electronic Co., Ltd.#)	**12.0**	11.0
常熟華鋭精密電子有限公司 (Changshu Huarui Precision Electronics Co., Ltd.#)	**25.0**	25.0
深圳市泓淋通訊科技有限公司 (Shenzhen Honglin Communication Technology Co., Ltd.#)	**25.0**	25.0
重慶市泓淋科技有限公司 (Chongqing Honglin Technology Co., Ltd.#)	**25.0**	N/A
惠州市泓淋通訊科技有限公司 (Huizhou Honglin Communication Technology Co., Ltd.#)	**25.0**	N/A
天津日拓汽車電裝有限公司 (Tianjin Rituo Automotive Electronics Co., Ltd.#, "Tianjin Rituo")	**25.0**	N/A
惠州大亞灣和平通信電纜有限公司 (Huizhou Daya Bay Heping Telecommunication Co., Ltd.#, "Huizhou Daya")	**25.0**	N/A
武漢市泓淋科技有限公司 (Wuhan Honglin Technology Co., Ltd.#)	**25.0**	N/A

The English names are for identification purpose only.

The tax charge can be reconciled to the profit per the condensed consolidated statement of comprehensive income as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Profit before taxation	**98,137**	78,454
Tax at PRC EIT rate of 25% (note (a) below)	**24,534**	19,614
Overprovision for EIT in respect of prior periods	**(679)**	(2,267)
Tax effect of expenses not deductible for tax purpose	**311**	411
Effect of tax concessionary rates for the Group	**(16,375)**	(8,590)
Tax effect of concession deductions relating to research and development expenses	**(409)**	(915)
	7,383	8,253

Notes:

a. The PRC EIT rate of 25% represents the statutory tax rate of which the Group's operations conducted substantially in the PRC throughout the period under review.

b. In accordance with the PRC tax circular (Guoshuihan [2008]112) effective from 1 January 2008, PRC withholding income tax at the rate of 10% is applicable to dividends payable by the Company's PRC operating subsidiaries based on their profits generated from 2008 onwards to their "non-resident" investors who do not have an establishment or place of business in the PRC.

   As at 30 June 2011, the aggregate amount of temporary differences associated with the undistributed earnings of the PRC subsidiaries of approximately RMB277 million (31 December 2010: approximately RMB194 million) for which deferred tax liabilities have not been recognized. No liability has been recognized in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Company, the shareholder of these PRC subsidiaries, has resolved that, the profits from their operations for the year ended 31 December 2011 will be retained and not be distributed. Therefore, it is probable that such differences will not reverse or subject to withholding income tax in the foreseeable future.

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the six months ended 30 June 2011, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2010: Nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the six months ended 30 June 2011 is based on the profit attributable to owners of the Company for the six months ended 30 June 2011 and on the weighted average of 720,000,000 shares (six months ended 30 June 2010: 525,387,184 shares) in issue during the six months ended 30 June 2011.

The weighted average number of shares for the purpose of calculating the basic earnings per share for the six months ended 30 June 2010 has been determined as if the effect of the five-for-one share subdivision and the capitalization issue in 2010 have been adjusted retrospectively.

There were no potential dilutive shares in existence during the period under review and therefore, no diluted earnings per share amounts have been presented.

10. TRADE AND OTHER RECEIVABLES

	Notes	**As at 30 June 2011** *RMB'000* **(unaudited)**	As at 31 December 2010 *RMB'000* (audited)
Trade receivables	a	**612,702**	534,258
Less: Allowance for doubtful debts		**(1,321)**	(1,308)
		611,381	532,950
Bills receivable	b	**98,166**	137,069
Advance to suppliers		**56,180**	33,848
Value added tax recoverables		**4,160**	7,445
Deposits and prepayments		**14,955**	11,981
Consideration receivables from disposals of property, plant and equipment		**11,901**	—
Advances to third parties		**—**	10
Advances to staff		**1,199**	1,271
Other receivables		**7,029**	970
		804,971	725,544

Notes:

(a) Trade receivables

The Group's trade receivables at the end of each reporting period comprise amounts receivable from the sales of goods during the reporting periods.

The Group generally allows a credit period ranging from 60 days to 180 days to its trade customers. The aged analysis of the Group's trade receivables (net of allowance for doubtful debts) presented based on the invoice date as at the end of the reporting period are as follows:

	As at 30 June 2011 *RMB'000* **(unaudited)**	As at 31 December 2010 *RMB'000* (audited)
Within 3 months	**562,353**	477,577
Over 3 months but within 6 months	**49,028**	54,001
Over 6 months but within 1 year	**—**	1,372
	611,381	532,950

(b) Bills receivable

The aged analysis of the Group's bills receivable presented based on the issue date as at the end of the reporting period are as follows:

	As at 30 June 2011 *RMB'000* **(unaudited)**	As at 31 December 2010 *RMB'000* (audited)
Within 3 months	**51,572**	48,277
Over 3 months but within 6 months	**46,594**	88,792
	98,166	137,069

11. TRADE AND OTHER PAYABLES

	Notes	**As at 30 June 2011** *RMB'000* **(unaudited)**	As at 31 December 2010 *RMB'000* (audited)
Trade payables	a	**310,133**	204,386
Bills payable	b	**49,416**	119,789
Receipts in advance from customers		**1,620**	2,299
Other tax payables		**4,519**	4,075
Payables for acquisition of property, plant and equipment		**23,608**	30,589
Payrolls and staff cost payables		**17,129**	12,054
Accrued expenses		**8,675**	6,787
Other payables		**42,720**	4,590
		457,820	384,569

Notes:

(a) Trade payables

The Group's trade payables principally comprise amounts outstanding for trade purchases. Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received.

The aged analysis of the Group's trade payables presented based on the invoice date as at the end of the reporting period are as follows:

	As at 30 June 2011 *RMB'000* (unaudited)	As at 31 December 2010 *RMB'000* (audited)
Within 3 months	**288,563**	191,276
Over 3 months but within 1 year	**20,824**	12,437
Over 1 year but within 2 years	**552**	310
Over 2 years	**194**	363
	310,133	204,386

(b) Bills payable

The aged analysis of the Group's bills payable presented based on the issue date as at the end of the reporting period are as follows:

	As at 30 June 2011 *RMB'000* (unaudited)	As at 31 December 2010 *RMB'000* (audited)
Within 3 months	**33,500**	57,389
Over 3 months but within 6 months	**15,916**	62,400
	49,416	119,789

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Overview

We are a leading international "one-stop" provider of signal transmission and connectivity solutions and related products. We design, manufacture and sell a broad and comprehensive range of external and internal signal cable assembly, power cord assembly, connectors, wireless antennas and related products for use mainly in the 3Cs (Computing, Communication and Consumer) industries such as (i) personal computers and notebooks, (ii) LCD and LED TV, (iii) mobile handsets and (iv) digital cameras. We have leading market share in the global high-end consumer electronics industry for several of our key products including external signal cable assembly, notebook internal signal cable assembly, power cord assembly and signal transmission wire & cable products.

Product Types

Our existing products are divided into seven major types: external signal cable assembly, internal signal cable assembly, power cord assembly, wire & cable, connectors, antennas and automotive wiring harness.

External Signal Cable Assembly

External signal cable assembly for the consumer electronics market is used for transmitting signals to a display, TV and digital products and is widely used in mobile handsets, digital cameras, DVD players, personal computers, notebooks and tablet computers. Our external signal cable assembly products include five product types, namely, RGB assembly, DVI assembly, HDMI assembly, USB assembly and DC assembly.

Internal Signal Cable Assembly

Internal signal cable assembly products are signal connecting cables mainly used internally between the main board and LCD monitor in notebooks, mobile handsets and digital cameras and can transmit audio-frequency and video signals. The main product types include LVDS cable assembly and flexible flat cable (FFC) assembly.

Power Cord Assembly

Power cord assembly is assembled with power supply connector and power cable and is used to supply electricity to consumer electronic equipment products. It is used widely and is required to be strictly in compliance with the safety rules of various countries.

Our power cord assembly products have received safety certifications in 31 countries and territories including CCC (China), C-UL (US & Canada), BSI (UK), BSMI (Taiwan), KC (Korea), PSE (Japan), SAA (Australia), CE (EU), IRAM (Argentina) and SABS (South Africa) as at the date of this announcement. Our power cord assembly products are able to satisfy the requirements of customers from across all the major continents of the world. Leveraging on the strong capabilities of research and development, production and product quality assurance, the sales volume and market shares of such products have been continuously increased.

Wire & Cable

Wire & Cable are the intermediate products to be assembled with connector for the production of the cable assembly products. The main product types include communication cable, consumer electronic cable, automotive cable and power cord.

Our Group adopts a vertically integrated production process, comprising production of plastic materials, drawing of copper, bunching of copper, cabling and braiding. Such vertically integrated business model allows us to highly coordinate research and development and production activities, lower our overheads and production costs, control the product quality and enhance the competitiveness of enterprises.

Connectors

Connectors are adopted to connect two electronic ports to transmit power or signals, which mainly include board-side connectors and terminal connectors. All of our connectors for external sale are board-side connectors while we use terminal connectors for internal production of our own signal cable assembly with wire & cable. The main board-side connectors produced by the Company include D SUB connectors, DVI connectors, USB connectors and HDMI connectors.

For production of our connectors, we are able to conduct a vertically integrated production process in-house starting from product development, mold design, mold manufacture, metal stamping, plastic injection, automation development and product assembly.

Antennas

Our Group mainly produces small wireless antennas, principally used in notebook, computer, router, GPS and mobile handsets. The rapid development of various wireless communication technologies boosts the vigorous growth of antenna market. Antenna is a relatively new product of our Group developed in 2010, which has many applications, such as notebook internal antenna, wireless router antenna, GPS navigation antenna and mobile handsets antenna. The antenna products of our Group are applied in both consumer and communication electronics industries, and marked our ability to extend our “one-stop” solutions to wireless transmission and connection, in addition to our wired solutions.

Automotive Wiring Harness

Automotive wiring harnesses are compactly bundled wires and data circuits that function as the central nervous system of a vehicle, acting as a conduit for the transmission of signals and electrical power. We entered this market through making a majority stake acquisition in February 2011.

Financial Review

	Six months ended 30 June				
	2011		2010		
	Revenue *RMB'000*	**% of Revenue**	Revenue *RMB'000*	% of Revenue	Change in %
External signal cable assembly	**181,940**	**20.6**	160,359	25.2	13.5
Internal signal cable assembly	**169,109**	**19.2**	137,354	21.6	23.1
Power cord assembly	**136,434**	**15.5**	112,810	17.8	20.9
Wire & cable	**236,449**	**26.8**	153,212	24.1	54.3
Connectors	**28,227**	**3.2**	20,376	3.2	38.5
Antennas	**18,943**	**2.1**	3,948	0.6	379.8
Automotive wiring harness	**68,953**	**7.8**	—	—	N/A
Others	**41,636**	**4.8**	47,621	7.5	-12.6
Total	**881,691**	**100.0**	635,680	100.0	38.7

Total revenue increased by approximately RMB246.0 million or approximately 38.7% as compared to the corresponding period in 2010 as we witnessed growth in revenue across all our key product segments. The increase was primarily due to (i) increase in production output to meet the overall increase in customer demand from existing and new customers as we continue to gain market share in our key target markets; (ii) overall increase in selling price especially for segments such as our wire & cable products where copper represent a relatively large proportion in terms of raw materials as we adopt a cost plus pricing method due to the higher average level of copper prices in the first half of 2011 as compared to 2010; and (iii) revenue contribution from new product such as wireless antennas and automotive wiring harness that only begun to have revenue contribution in 2010 and beginning of 2011 respectively. However, our overall revenue was also slightly negatively affected by the depreciating US Dollar in the first half of 2011.

External Signal Cable Assembly

	Six months ended 30 June				
	2011		2010		
	Revenue	**% of**	Revenue	% of	Change
	RMB'000	**Revenue**	*RMB'000*	Revenue	in %
RGB assembly	**88,228**	**48.5**	82,604	51.5	6.8
DVI assembly	**46,306**	**25.4**	40,575	25.3	14.1
HDMI assembly	**439**	**0.2**	472	0.3	-7.0
USB assembly	**36,303**	**20.0**	26,342	16.4	37.8
DC assembly	**10,664**	**5.9**	10,366	6.5	2.9
	181,940	**100.0**	160,359	100.0	13.5

Our external signal cable assembly segment registered an increase in revenue of approximately RMB21.6 million or approximately 13.5% as compared to the corresponding period in 2010, as we witnessed a strong increase in sales of USB assembly of approximately 37.8% primarily due to the contribution of new Japanese customers which we only added towards the end of 2010. In terms of relatively more mature products such as RGB and DVI assembly, we registered an increase of 6.8% and 14.1% respectively as we were able to add some new customers. Such increase in procurement for RGB and DVI assembly was partly driven by a more competitive pricing strategy adopted by us in the first half of 2011.

Internal Signal Cable Assembly

	Six months ended 30 June				
	2011		2010		
	Revenue	**% of**	Revenue	% of	Change
	RMB'000	**Revenue**	*RMB'000*	Revenue	in %
LVDS	**129,016**	**76.3**	114,443	83.3	12.7
Harness	**—**	**—**	651	0.5	-100.0
Flexible Flat Cable (FFC)	**40,093**	**23.7**	22,260	16.2	80.1
	169,109	**100.0**	137,354	100.0	23.1

Our internal signal cable assembly segment registered an increase in revenue of approximately RMB31.8 million or approximately 23.1% as compared to the corresponding period in 2010 as both of our key products in this segment, LVDS and FFC continued to demonstrate growth.

Revenue for our LVDS segment increased by approximately 12.7% due to gradual increase in production capacity in our Suzhou and Dezhou plants to meet the increase demand from our existing customers and we also added some new customer as we continue to increase our market share. We also only started LVDS assembly production in our newly established Chongqing base in the second quarter of 2011.

Revenue for our FFC segment increased by approximately 80.1% as our FFC products which was only launched in the second half of 2009 continued to gain momentum with our customers. As we increased production capacity significantly since the first half of 2010, we were able to ramp up production to meet the increase in demand from our customers.

Power Cord Assembly

Sale of power cord assembly increase by approximately RMB23.6 million or approximately 20.9% mainly driven by increase in sale volume as we continue to increase our market share with increases order from existing customers. As we strategically seek to increase our market share ahead of ongoing industry landscape change where we believe that in the next few years, increasing proportion of cable jacket for power cord assembly would be manufactured using halogen-free materials instead of conventional plastic materials due to increasing environmental awareness. To better position ourselves to benefit from such trend (and given that we are already capable of producing our own internally generated halogen-free materials), we undertook a more aggressive pricing strategy in the first half of 2011 which resulted in an overall decrease in unit selling price. In addition, in the first half of 2011, in order to improve efficiency at our Weihai plant which is mainly used for the manufacturing of our power cord assembly products, we integrated our wire & cable and power cord assembly business unit in terms of production and management team. During such integration process, we sacrificed certain level of production output and therefore sale, which also negatively impact the profit margin of our power cord assembly segment. Nonetheless, in the first half of 2011, we also managed to win orders from important new customers in this segment including Dell, Sharp and Panasonic.

Signal Transmission Wire & Cable

	Six months ended 30 June				
	2011		2010		
	Revenue *RMB'000*	**% of Revenue**	Revenue *RMB'000*	% of Revenue	Change in %
Communication cable	**48,386**	**20.5**	1,754	1.2	2,658.6
Consumer electronic cable	**131,811**	**55.7**	107,869	70.4	22.2
Automotive cable	**11,407**	**4.8**	7,525	4.9	51.6
Power cable	**41,272**	**17.5**	28,205	18.4	46.3
Others	**3,573**	**1.5**	7,859	5.1	-54.5
	236,449	**100.0**	153,212	100.0	54.3

Our signal transmission wire & cable segment registered an increase in revenue of approximately RMB83.2 million or approximately 54.3% as compared to the corresponding period in 2010, as in addition to being able to reflect the rising copper prices in our pricing, we also witnessed a strong increase in sales across most of our key wire & cable products. Communication cable increased by approximately 2,658.6% primarily due to the revenue contribution of newly acquired entity, Huizhou Daya Bay from May 2011 onwards and increased procurement volume from our existing customers. For consumer electronics, automotive and power cables we continued to see an increase in our market share as we managed to expand production capacity to meet the increased demand. We have also started sale of wire & cable (primarily consumer electronics cable) manufactured using our own internally developed halogen-free materials towards the end of 2010. Of the total revenue of approximately RMB236.4 million for our signal transmission wire & cable segment, approximately RMB27.0 million or approximately 11.4% of revenue for this segment was generated by our halogen-free wire & cable as compared to nil in the first half of 2010.

Connectors

Our connector segment registered an increase in revenue of approximately RMB7.8 million or approximately 38.5% as compared to the corresponding period in 2010, as our existing customers increased their procurement amount from us and we are also able to increase our average selling price for our connector products.

Antennas

Revenue for antennas increased by approximately RMB15.0 million or approximately 379.8% mainly due to that we only started to manufacture and sell wireless antenna products in 2010. We continue to add new customers and have 10 customers as at 30 June 2011.

Automotive Wiring Harness

We identified the automotive wiring harness new segment market after we made an acquisition of 55% interest in Tianjin Rituo in February 2011 and primarily supplies to six PRC automobile manufacturers as at 30 June 2011. Revenue for the first six months of 2011 amounted to approximately RMB68.9 million or represented approximately 7.8% of the total revenue of the Group for the six months ended 30 June 2011.

Cost of Sales

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

	Six months ended 30 June				
	2011		2010		
	RMB'000	**% of total Cost of sales**	*RMB'000*	% of total Cost of sales	Change in %
Raw material costs	**555,124**	**80.0**	370,503	75.4	49.8
Utilities	**10,768**	**1.6**	9,389	1.9	14.7
Depreciation	**15,066**	**2.2**	12,388	2.5	21.6
Labor costs	**70,788**	**10.2**	56,451	11.5	25.4
Outsourcing costs	**28,678**	**4.1**	29,417	6.0	-2.5
Others	**13,335**	**1.9**	13,558	2.7	-1.7
	693,759	**100.0**	491,706	100.0	41.1

The following table sets forth a breakdown of our raw material costs for the periods indicated

	Six months ended 30 June				
	2011		2010		
	RMB'000	**% of raw material costs**	*RMB'000*	% of raw material costs	Change in %
Copper materials	**299,767**	**54.0**	214,521	57.9	39.7
Plastic materials	**99,922**	**18.0**	53,352	14.4	87.3
Iron materials	**9,992**	**1.8**	8,522	2.3	17.2
Others	**145,443**	**26.2**	94,108	25.4	54.5
	555,124	**100.0**	370,503	100.0	49.8

Cost of sales increased by approximately RMB202.1 million, or approximately 41.1%, as compared to the corresponding period in 2010. The increase was primarily due to (i) an increase in raw material costs of approximately 49.8%, mainly as a result of an overall increase in sales volume and the higher raw material prices in the first half of 2011 as compared to 2010. For example, our average purchase prices for copper materials amounting to approximately RMB60,166 per tonne in the first half of 2011, representing an increase of 9.1% from approximately RMB55,160 per tonne in financial year ended 2010. For plastic materials, the increase in cost is primarily due to increased proportion of higher cost halogen-free insulating materials used and increased sales level for internal signal cable assembly and automotive wiring harness products that required more plastic materials for production; (ii) an increase in depreciation of approximately 21.6% as a result of the expansion in production facilities and increased procurement of equipment in line with the expanded business operations; and (iii) an increase in labor costs of approximately 25.4%, mainly as a result of an increase in manufacturing staff (including contract workers and interns) from 7,167 as at 30 June 2010 to 9,126 as at 30 June 2011 and an overall increase in employee salaries in line with general inflation and our planned increase in production level for 2011.

Gross Profit and Margins

As a result of the foregoing, our gross profit increased by approximately RMB43.9 million, or approximately 30.5% in the first half of 2011 as compared to the same period in 2010. Our gross profit margin decreased from 22.6% in the first half of 2010 to 21.3% in the same period in 2011. Specifically,

	Six months ended 30 June				
	2011		2010		
	Gross Profit *RMB'000*	**Gross Profit margin** %	Gross Profit *RMB'000*	Gross Profit margin %	Change in %
External signal cable assembly	**36,859**	**20.3**	36,603	22.8	0.7
Internal signal cable assembly	**48,982**	**29.0**	38,039	27.7	28.8
Power cord assembly	**18,555**	**13.6**	19,862	17.6	-6.6
Wire & cable	**48,223**	**20.4**	30,165	19.7	59.9
Connectors	**8,913**	**31.6**	6,242	30.6	42.8
Antennas	**4,203**	**22.2**	529	13.4	694.5
Automotive wiring harness	**14,042**	**20.4**	—	—	N/A
Others	**8,155**	**19.6**	12,534	26.3	-34.9
Total	**187,932**	**21.3**	143,974	22.6	30.5

Whilst we were able to increase our average gross profit margin for several of our key product segments such as our internal signal cable assembly, signal transmission wire and cable and connector product segments due to a combination of factors including increased production scale, enhancement in manufacturing process (for example, we have been successful in gradually reduce the number of labour assigned for our internal cable LVDS and FFC assembly production line and therefore respective direct labour cost due to automated production line installed in 2011 for the production of such assembly) and increased proportion of higher margin products being manufactured and sold, overall gross profit margin still decreased by 1.3% in the first half of 2011 as compared to the same period in 2010.

This was mainly because of (i) more aggressive pricing strategy in our external signal cable assembly (particularly RGB and DVI assembly) and power cord assembly segments to capture market share in order to position us for future growth and also as a strategy to enter the supply chain of some customers in order for us to have the ability to cross-sell other products in our comprehensive portfolio with higher profit margin in the future; and (ii) the lower 20.4% margin contribution of our newly acquired automotive wiring harness business as compared to the average 22.6% gross profit margin of the Group in the first half of 2010. Nonetheless, since the acquisition in February 2011, we have been implementing a series of restructuring to improve the profitability of our automotive wiring harness business including gradually relocating the more labour intensive manufacturing part of the business to our Dezhou plant to take advantage of the lower labour cost in that area; and (iii) the negative impact of the depreciating US Dollar has on our revenue.

Other gains and losses

We have other gains of approximately RMB17.4 million which was primarily attributable to (i) interest income of approximately RMB2.0 million we generated on our bank balance which increased significantly as compared to the same period in 2010 due to the funds raised from our initial public offering in November 2010; (ii) government grant of approximately RMB3.7 million as incentives for research and development effort of the Group; (iii) gains on disposal of property, plant and equipment and prepaid lease payments approximately RMB2.0 million; (iv) net foreign exchange gains of approximately RMB6.1 million as we held more US dollar and other foreign currency denominated liabilities than assets to hedge against the impact of depreciating US dollar on our revenue and thus have a net gain in RMB terms on such assets and liabilities mainly due to the depreciation of US dollar against RMB; and (v) excess of approximately RMB4.0 million over the cost of acquiring Huizhou Daya Bay, where the consideration price was below the net asset value.

Distribution and selling expenses

Distribution and selling expenses increased by approximately RMB9.2 million, or approximately 71.6% as compared to the same period in 2010 primarily as a result of increased level of sales and marketing activities in line with overall increase in revenue, the acquisition of Tianjin Rituo and Huizhou Daya Bay and additional investment we made in strengthening our sales and marketing department. In particular, the increase was due primarily to (i) an increase in transportation expenses of approximately RMB3.0 million or approximately 52.3%, which is generally in line with the increase in revenue and as level of marketing activities increased; (ii) increase in staff cost of approximately RMB3.1 million or approximately 159.4%, primarily due to the establishment of our Taipei office and Chongqing office in September 2010 and March 2011 respectively. As at 30 June 2011, we have 13 and 4 sales staff in Taipei and Chongqing respectively as compared to nil as at 30 June 2010 and the additional number of 27 sales and marketing staff at Tianjin Rituo and Huizhou Daya Bay; (iii) an increase in entertainment expenses of approximately RMB1.3 million or approximately 57.8%, primarily due to an increase in sales and marketing activities which is generally in line with the increase in our revenue.

Administrative and general expenses

Administrative and general expenses increased by approximately RMB19.9 million, or approximately 68.5% as compared to the same period in 2010. This increase was due primarily to (i) an increase in salary expenses of approximately RMB11.0 million or approximately 106.3%, primarily due to an increase in general and administrative personnel as a result of the acquisition of Tianjin Rituo and Huizhou Daya Bay, the establishment of our Taipei office and Chongqing base in September 2010 and March 2011 respectively and also as overall, we recruited additional general and administrative personnel in line with the expansion of our Group. The number of general and administrative personnel was 655 as at 30 June 2011 as compared to 364 as at 30 June 2010; (ii) increase in depreciation expenses and office expenses of approximately RMB1.2

million or approximately 57.3% and approximately RMB1.7 million or approximately 78.5% respectively, mainly as a result of office expansion and additional office related purchase in general as we increased our business scale, the completion of a new office block in the fourth quarter of 2010 at our Changsu, Suzhou facility and the additional depreciation expenses as a result of the acquisition of Tianjin Rituo and Huizhou Daya Bay; (iii) increase in transportation expenses of approximately RMB1.0 million or approximately 35.8%, in line with increased business operations and as a result of the acquisition of Tianjin Rituo and Huizhou Daya Bay; (iv) increase in audit and other professional fees of approximately RMB1.1 million or approximately 101.3%, primarily as we incurred additional professional fees for due diligence purpose for the acquisition of Tianjin Rituo and Huizhou Daya Bay; and (v) increase in rental expenses of approximately RMB1.0 million or approximately 911.6%, primarily as a result of the new Taipei office that was established in September 2010 and also due to the acquisition of Tianjin Rituo and Huizhou Daya Bay.

Research and Development

Research and development expenses increased by approximately RMB12.5 million, or approximately 97.9%, as compared to the same period in 2010. This increase was due primarily to an increase in salary expenses for research and development personnel increased by approximately RMB4.4 million, or approximately 97.1%, as we increased the number of R&D staff to 274 as at 30 June 2011 as compared to 143 as at 30 June 2010. Research and development is important to the continued growth and development of our Group and as we continue to invest in constant refinement of existing products and development of new products such as high frequency cable, automotive wiring harness, specialty power cord and connectors, we will continue to allocate resources as relevant in terms of manpower and capital. Our newly set up Taipei office in September 2010 is also a key R&D center focusing on the research of products such as antenna and connector for the 3Cs markets. As a result of our expanded research and development scope and scale, our use of raw materials also increased by approximately RMB7.0 million, or approximately 157.9%.

Finance Costs

Finance costs increased by approximately RMB2.1 million, or approximately 23.2%, as compared to the same period in 2010, due to increase in bank interest expenses as a result of increased bank borrowings in line with the expansion in size and scale of our business operations. In addition, the average PRC interest rate for short term loan for the first six months of 2011 is higher than the average rate for the same period in 2010 and thereby increased the interest cost of our RMB denominated borrowings.

Income tax expenses

Our income tax expenses reduced by approximately RMB0.87 million, or approximately 10.5%, as compared to the same period in 2010, primarily due to the effect of negative deferred tax of approximately RMB3.7 million in the first six months of 2011. We registered such negative deferred tax because of deductible tax losses carried forward for some of our subsidiaries including the newly acquired Huizhou Daya Bay. Excluding the effect of deferred tax, our PRC enterprise income tax ("**EIT**") increased by approximately RMB3.3 million, or approximately 41.8% as a result of increase in our profit before taxation. Overall, for the first six months of 2011, our effective tax rate was 7.5% as compared to 10.5% for the same period in 2010.

Profit for the period

As a result of the foregoing, profit for the period increased by approximately RMB20.6 million, or approximately 29.3% as compared to the same period in 2010. Our net profit margin was approximately 10.3% for the six months ended 30 June 2011 as compared to approximately 11.0% for the six months ended 30 June 2010. The slight decrease in net profit margin was primarily due to (i) the acquisition of Tianjin Rituo and Huizhou Daya Bay where both these newly acquired entities only just breakeven in terms of profitability for the first six months of 2011; and (ii) our more aggressive pricing strategy in our external signal cable assembly (particularly RGB and DVI assembly) and power cord assembly segments to capture market share while we continue to invest in strategically expanding production capacity, adding key talent in various business segments and focusing on research & development in order to better position ourselves for long term sustainable growth going forward.

Liquidity and financial resources

The Group will continue to implement prudent financial management policy and maintain a reasonable gearing ratio during expansion. As at 30 June 2011, the Group's gearing ratio (measured by total bank borrowings as a percentage of total assets of the Company) was 35.3% (30 June 2010: 39.9%).

As at 30 June 2011, the total bank borrowings of the Group amounted to approximately RMB839.4 million (31 December 2010: approximately RMB663.1 million). Out of this amount, approximately RMB498.7 million was denominated in US Dollar and approximately RMB340.7 million in Renminbi. These loans carried interests at floating or fixed rates. All our bank borrowings are short-term loan and of the total bank borrowings of approximately RMB839.4 million, approximately RMB733.0 million was secured loans.

The increase in bank borrowings was mainly attributable to investments in new factories and production facilities in our Weihai and Suzhou base, working capital requirements and also the outstanding borrowing at our two newly acquired entities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 30 June 2011, 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 Company and its subsidiaries since 30 June 2011.

Foreign currency

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

Working capital

Inventory balance as at 30 June 2011 was approximately RMB320.8 million (31 December 2010: approximately RMB178.5 million). The increase in inventory was primarily to cater for expected increased demand for the Group's products in the second half of the 2011 as the global 3Cs industry is expected to gradually make a full recovery from the impact of the March 2011 Japanese earthquake and also as a result of the inventory level at our newly acquired entities, namely Tianjin Rituo and Huizhou Daya Bay. The average turnover days for inventory stood at 66 days compared to 56 days in the corresponding period in 2010.

Trade and bill receivables balance as at 30 June 2011 was approximately RMB709.5 million (31 December 2010: approximately RMB670.0 million). The increase in trade and bill receivables balance was mainly due to our overall increase in revenue and the trade and bill receivables balance attributable to the two acquisitions we made in the first half of 2011. The average turnover days for trade and bill receivables stood at 141 days compared to 123 days in the corresponding period in 2010, primarily due to the relatively longer credit terms of our newly acquired entities, namely Tianjin Rituo and Huizhou Daya Bay. As at 30 June 2011, approximately 86.5% of our trade and bill receivables were due within three months.

Trade and bill payable balance as at 30 June 2011 was approximately RMB359.5 million (31 December 2010: approximately RMB324.2 million). The increase in trade and bill payable balance was generally in line with the increased scale of our business operations in the first six months of 2011. The average turnover days for trade and bill payable remained stable at 89 days as at 30 June 2011 and the corresponding period in 2010.

Our cash conversion cycle for the first six months of 2011 was approximately 118 days.

Cash flow

CASH FLOWS INFORMATION *For the six months ended 30 June*	**2011** ***RMB'000***	2010 *RMB'000*
Net cash from (used in) operating activities	**2,561**	(144,099)
Net cash used in investing activities	**(151,645)**	(38,641)
Net cash from financing activities	**126,721**	184,166

Net cash used in operating activities for the period ended 30 June 2011 was approximately RMB2.6 million and increased significantly as compared to the same period in 2010, primarily due to relatively faster collection of our trade and bill receivables outstanding as at 31 December 2010. In addition, the improvement is because we have a higher proportion of revenue for the first half of 2011 which was attributable to our customers with relatively shorter credit period such as our Korean customers as compared to the corresponding period in 2010 and as such our accounts receivable collection improved in general.

Net cash used in investing activities for the period ended 30 June 2011 of approximately RMB151.6 million was primarily attributable to the payment for prepaid lease payments and purchase for property, plant and equipment as we increase our business operations and scale.

Net cash from financing activities for the period ended 30 June 2011 of approximately RMB126.7 million was primarily attributable to increase in net borrowings.

Capital expenditures and contingencies

For the period ended 30 June 2011, we incurred total capital expenditures of approximately RMB162.5 million in construction of new factories and office buildings, the purchase of plant and machinery, equipment, computer systems and approximately RMB71.9 million for making acquisitions.

As at the financial period end date, we had no material contingencies.

Employees

As at 30 June 2011, we have a total of 9,394 full time staff, of which 2,497 were our direct employees (30 June 2010: 1,056) and 6,897 were our contract workers (30 June 2010: 5,121). As at 30 June 2011, we also have 836 part time interns. All our contract workers and part time interns are mainly used for production whereas in terms of our direct employees, the breakdown as at 30 June 2011 is as follows:

	As at 30 June 2011	As at 30 June 2010
Manufacturing	**1,038**	305
Sales and Marketing	**175**	89
General and administration	**655**	364
Research and Development	**274**	143
Quality Control	**355**	155

Use of proceeds raised from the global offering

The net proceeds from the Global Offering, after deducting the relevant costs of the Global Offering, were approximately HKD470.3 million (equivalent to approximately RMB400.7 million). As at 30 June 2011, the Company utilized the proceeds of approximately RMB207.2 million to the Group's new development projects, research and development and working capital. The Directors do not anticipate any change to its plan on the use of proceeds as stated in the Prospectus dated 3 November 2010.

At present, the utilization of proceeds from the global offering is basically the same with the intended use of proceeds as disclosed in the prospectus of the Company dated 3 November 2010. As at 30 June 2011, proceeds used on projects are generally analyzed as follows:

	Accumulated use of proceeds	
Projects	**Estimated amount** *RMB (million)*	**Accumulated expenses** *RMB (million)*
(1) Expanding production capacity of existing products	160.3	34.8
(2) Development and production of new products	176.3	108.3
(3) Research and development investment	24.0	24.0
(4) General working capital and other general corporate purposes	40.1	40.1
Total	400.7	207.2

Interim dividends

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2011 (during the six months period ended 30 June 2010: Nil).

Discloseable Transaction in Relation to Capital Increase Agreement

On 21 February 2011 Weihai Honglin Electronic Co., Ltd. ("**Weihai Electronic**"), a wholly-owned subsidiary of the Company, has entered into the Capital Increase Agreement between Tianjin Rituo Automotive Electronics Co., Ltd. ("**Tianjin Rituo**"), Wang Xiang (the existing shareholder of Tianjin Rituo, who holds as to 70% of Tianjin Rituo before the Agreement) and Wang Weiguo (the existing shareholder of Tianjin Rituo, who holds as to 30% of Tianjin Rituo before the Agreement), pursuant to which Weihai Electronic has agreed to make Capital Contribution of RMB58.60 million (equivalent to approximately HKD69.15 million) in aggregate to Tianjin Rituo, of which, (i) RMB6,111,111 (equivalent to approximately HKD7,211,111) will be used to increase the registered capital of Tianjin Rituo from RMB5.00 million (equivalent to approximately HKD5.90 million) to RMB11,111,111 (equivalent to approximately HKD13,111,111), and (ii) RMB52,488,889 (equivalent to approximately HKD61,936,889) will be treated as capital reserve of Tianjin Rituo. Prior to the Capital Increase, Tianjin Rituo was owned as to 70% and 30% by Wang Xiang and Wang Weiguo respectively, and upon completion of the Capital Increase, Tianjin Rituo will be held as to 31.5% by Wang Xiang, 13.5% by Wang Weiguo and 55.0% by Weihai Electronic.

Tianjin Rituo is principally engaged in the design, research and development, manufacture and sale of automotive wiring harness products catering to automobile industry in the PRC.

Discloseable Transaction in Relation to Acquisition of 87% of Equity Interest in The Target Company and Capital Injection

On 4 May 2011, Weihai Honglin Electronic Co., Ltd. ("**Weihai Electronic**"), a wholly-owned subsidiary of the Company (as Purchaser) entered into the Acquisition and Capital Injection Agreement with Tian Hong Zheng, Zhou Shao Hua, Yuan Huo You, Wang Jia Zhan and Wu Yue Long (as Vendors), pursuant to which the Vendors agreed to sell and the Purchaser agreed to acquire an aggregate total of 87% equity interest in Huizhou Daya Bay Heping Telecommunication Co., Ltd. ("**Huizhou Daya Bay**") for a total consideration of RMB13.3 million (equivalent to approximately HKD15.8 million) which will be settled entirely by cash funded by internal resources of the Group. Upon the completion of the Acquisition, Yuan Huo You, Zhou Shao Hua and Weihai Electronic also agreed to make capital injection of RMB63.2 million (equivalent to approximately HKD75.2 million) in aggregate to Huizhou Daya Bay in proportion to their respective shareholding in Huizhou Daya Bay immediately after the completion of the acquisition. Upon the completion of the capital injection, Huizhou Daya Bay would continue to be held as to 87% by Weihai Electronic and 13% in aggregate by Yuan Huo You and Zhou Shao Hua.

Huizhou Daya Bay is principally engaged in the design, research and development, manufacture and sale of communication wire & cable and related products catering to the telecommunication industry in the People's Republic of China (the "**PRC**").

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

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 strived to uphold good corporate governance and adopt sound corporate governance practices continuously in the interest of shareholders of the Company to enhance the overall performance of the Company. The principles and the code provisions of the Code on Corporate Governance Practices (the "**CG Code**") contained in Appendix 14 to the Listing Rules have been adopted by the Group. The Company has also complied with the CG Code since the listing of the shares of the Company on the Main Board of the Stock Exchange on 16 November 2010 and throughout the six months ended 30 June 2011 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 officer 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. For the six months ended 30 June 2011, Mr. Chi Shaolin is both the chairman of the Board and the chief executive officer of the Group. The Board considers that vesting the roles of chairman and chief executive officer 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 chief executive officer 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 overseeing the internal control procedures of the Company. The Audit Committee consists of three members, namely, Mr. Shu Wa Tung, Laurence, Mr. Song Lizhong and Ms. Zheng Lin, all of whom are independent non-executive Directors. Mr. Shu Wa Tung, Laurence currently serves as the chairman of the Audit Committee. The Audit Committee has adopted the terms of reference which are in line with the CG Code. During the period under review, the Audit Committee has convened one meeting with an attendance of 100%. The Audit Committee has reviewed the Group's unaudited financial statements for the six months period ended 30 June 2011, reviewed the internal control system and its execution.

The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial statements for the six months ended 30 June 2011.

The external auditor has reviewed the consolidated interim financial statements for the six months ended 30 June 2011 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Equity" issued by the Hong Kong Institute of Certified Public Accountants.

MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors (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 six months ended 30 June 2011.

INTERIM DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (2010: 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 for the period from the listing date to 30 June 2011.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim report of the Company for the six months ended 30 June 2011 containing all the applicable information required by the Listing Rules will be published on the website of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company's website (www.hong-lin.com.cn) in due course. Printed copies will be despatched to shareholders of the Company in due course.

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

Hong Kong, 16 August 2011

As at the date of this announcement, the executive Directors are Mr. Chi Shaolin, Mr. Jiang Taike, Mr. Li Jianming, Mr. Mao Wanjun and Mr. Kang Jin Won, the non-executive Director is Ms. Xu Yiming and the independent non-executive Directors are Mr. Shu Wa Tung, Laurence, Mr. Song Lizhong and Ms. Zheng Lin.

* *for identification purposes only.*