HL Technology Group Limited
泓淋科技集團有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1087)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

2011 FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2011	2010	Change
	RMB'000	*RMB'000*	%
Revenue	**1,865,376**	1,413,960	+31.9
Gross profit	**378,405**	325,614	+16.2
Profit before taxation	**135,000**	173,255	-22.1
Profit for the year	**119,360**	155,021	-23.0
Profit attributable to:			
— Owners of the Company	**116,071**	152,670	-24.0
— Non-controlling interests	**3,289**	2,351	+39.9
Earnings per share — Basic (RMB cents)	**16.1**	27.5	-41.5

- Revenue increased by approximately 31.9% to RMB1,865.4 million despite a tough business environment, especially in the second half of 2011.
- Profit for the year decreased to approximately RMB119.4 million, representing a decrease of 23.0% as compared to 2010, primarily due to significant increase in operating expenses as the Group invested heavily in areas including sales and marketing and research and development for developing new products and markets.
- Basic earnings per share amounted to RMB0.161 during the year.

The board (the "**Board**") of directors (the "**Directors**") of HL Technology Group Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2011, together with comparative figures for the preceding financial year ended 31 December 2010. The consolidated results of the Group have been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2011

	Notes	**2011** *RMB'000*	2010 *RMB'000*
Revenue	*3*	**1,865,376**	1,413,960
Cost of sales		**(1,486,971)**	(1,088,346)
Gross profit		**378,405**	325,614
Other income, other gains and losses	*4*	**22,080**	(2,579)
Distribution and selling expenses		**(49,056)**	(27,233)
Administrative and general expenses		**(116,714)**	(72,525)
Research and development expenses		**(62,179)**	(30,932)
Finance costs	*5*	**(37,536)**	(19,090)
Profit before taxation	*6*	**135,000**	173,255
Income tax expenses	*7*	**(15,640)**	(18,234)
Profit for the year		**119,360**	155,021
Other comprehensive income			
Exchange difference on translating foreign operations		**(733)**	742
Total comprehensive income for the year		**118,627**	155,763
Profit attributable to:			
— Owners of the Company		**116,071**	152,670
— Non-controlling interests		**3,289**	2,351
		119,360	155,021
Total comprehensive income attributable to:			
— Owners of the Company		**115,338**	153,412
— Non-controlling interests		**3,289**	2,351
		118,627	155,763
Earnings per share — Basic (RMB cents)	*9*	**16.1**	27.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Notes	**2011** **RMB'000**	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**655,398**	448,875
Prepaid lease payments		**47,539**	30,108
Intangible assets		**35,431**	9,672
Goodwill		**7,746**	—
Deferred tax assets		**4,773**	2,716
		750,887	491,371
CURRENT ASSETS			
Inventories		**319,518**	178,541
Trade and other receivables	*10*	**1,061,267**	725,544
Prepaid lease payments		**1,014**	642
Other financial assets		**5,229**	—
Pledged bank deposits		**49,574**	424,714
Bank balances and cash		**106,650**	160,408
		1,543,252	1,489,849
CURRENT LIABILITIES			
Trade and other payables	*11*	**524,347**	384,569
Other financial liabilities		**6,311**	1,879
Income tax liabilities		**7,765**	8,195
Bank borrowings		**653,471**	663,106
		1,191,894	1,057,749
NET CURRENT ASSETS		**351,358**	432,100
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,102,245**	923,471

	Notes	**2011** **RMB'000**	2010 RMB'000
CAPITAL AND RESERVES			
Share capital	12	**97,401**	97,401
Share premium and reserves		**934,293**	812,487
Equity attributable to owners of the Company		**1,031,694**	909,888
Non-controlling interests		**60,833**	13,583
TOTAL EQUITY		**1,092,527**	923,471
NON-CURRENT LIABILITY			
Deferred tax liabilities		**9,718**	—
		1,102,245	923,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL 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 Stock Exchange of Hong Kong Limited. Its parent and ultimate holding company is Chenlin International Joint Stock Company Limited ("Chenlin International"). Its ultimate controlling party is Mr. Chi Shaolin ("Mr. Chi").

The Company acts as an investment holding company and the Group is primarily engaged in the sales of signal cable assembly, power cord assembly, wire and cable products, connectors, antennas and automotive wiring harness and other products.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board ("IASB"):

Amendments to IFRSs	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to IAS 32	Classifications of Rights Issues
Amendments to IFRIC Int 14	Prepayments of a Minimum Funding Requirement
IFRIC Int 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the above new and revised IFRSs in the current year has had no material effect on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements.

The Group has not early adopted the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 1 (Amendments)	Government loans[2]
IFRS 7 (Amendments)	Disclosures — Transfers of Financial Assets[1]
IFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities[2]
IFRS 9	Financial Instruments[3]
IFRS 9 and IFRS 7 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[4]
IAS 19 (Revised 2011)	Employee Benefits[2]
IAS 27 (Revised 2011)	Separate Financial Statements[2]
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 January 2012
[5] Effective for annual periods beginning on or after 1 July 2012
[6] Effective for annual periods beginning on or after 1 January 2014

IFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 January 2013, with earlier application permitted. The Standard requires all recognized financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows; and (ii) have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at fair value.

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that the above standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of this standard may have significant impact on amounts reported in the consolidated financial statements. However, the directors have not yet performed a detailed analysis of the impact of the application of these Standards and hence have not yet quantified the extent of the impact.

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that IFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may affect the amounts reported in the consolidated financial statements, including investment properties, available-for-sale investments, financial assets at fair value through profit-or-loss and derivative financial instruments, and result in more extensive disclosures in the consolidated financial statements.

The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

The directors of the Company anticipate that the application of other new or revised standards and interpretations 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 to customers during the year.

(b) Segment information

The chief executive officer of the Company has been identified as the Group's chief operating decision maker (the "CODM") who reviews the business based on as 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 year ended 31 December 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 Electronics 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.

i. Information about reportable segment revenues, results, assets and liabilities

The following table sets forth a breakdown of the Group's revenue and results by reportable segment during the year:

	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* *(note)*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended 31 December 2011									
Segment revenue	**337,750**	**339,859**	**329,016**	**488,422**	**49,928**	**28,462**	**156,678**	**135,261**	**1,865,376**
Segment results	**67,863**	**92,270**	**42,799**	**101,548**	**13,273**	**5,294**	**35,444**	**19,914**	**378,405**
Year ended 31 December 2010									
Segment revenue	353,376	307,049	246,777	348,306	46,443	11,798	—	100,211	1,413,960
Segment results	79,867	85,784	40,276	78,245	14,637	1,233	—	25,572	325,614

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 reclassified from segment of other products to conform with the presentation of the internal management report for the year ended 31 December 2010.

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the year ended 31 December 2011 and 31 December 2010.

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 CODM. However, the other income, other gains and losses, distribution and selling expenses, administrative and general expenses, research and development expenses and finance costs are not allocated to each reportable segment.

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

	2011	2010
	RMB'000	*RMB'000*
Reportable segment results	**378,405**	325,614
Unallocated income and expenses:		
— Other income, other gains and losses	**22,080**	(2,579)
— Distribution and selling expenses	**(49,056)**	(27,233)
— Administrative and general expenses	**(116,714)**	(72,525)
— Research and development expenses	**(62,179)**	(30,932)
— Finance costs	**(37,536)**	(19,090)
Profit before taxation	**135,000**	173,255
Income tax expenses	**(15,640)**	(18,234)
Profit for the year	**119,360**	155,021

As no discrete information in respect of segment assets and liabilities and other information is for the assessment of performance and allocation of resources for different reportable segments and thus, other than reportable segment revenue and results as disclosed above, no analysis of segment assets and liabilities is presented.

ii. *Geographical information*

The Group's products are produced from the production facilities located in the People's Republic of China ("PRC"). All of the Group's non-current assets are located in the PRC and thus, no geographical information has been presented.

The following table provides an analysis of the Group's revenue by geographical location of customers, irrespective of the origin of the goods:

	2011	2010
	RMB'000	*RMB'000*
China, excluding Hong Kong and Taiwan	**1,265,881**	929,603
Taiwan	**211,970**	178,883
Korea	**163,506**	210,913
Hong Kong	**40,318**	25,664
Other countries and areas	**183,701**	68,897
	1,865,376	1,413,960

4. OTHER INCOME, OTHER GAINS AND LOSSES

	2011	2010
	RMB'000	*RMB'000*
Interest income	**10,149**	436
Government grants	**7,987**	5,267
Gains on disposals of property, plant and equipment	**1,688**	355
Net foreign exchange losses	**(1,513)**	(2,832)
Gain on disposal of land use rights	**175**	—
Changes in fair value of other financial instruments	**3,594**	(5,805)
	22,080	(2,579)

5. FINANCE COSTS

	2011	2010
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years	**44,152**	20,076
Less: Amount capitalized in respect of cost of qualifying assets	**(6,616)**	(986)
	37,536	19,090

During the year ended 31 December 2011, interest has been capitalized at the rate of interest applicable to general borrowings ranging from 4.20% to 7.57% (2010: 5.10% to 6.84%) per annum.

6. PROFIT BEFORE TAXATION

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

	2011	2010
	RMB'000	*RMB'000*
Staff cost (including directors' emoluments)		
— Salaries and other benefits	**226,719**	148,040
— Retirement benefit scheme contributions	**7,309**	2,944
— Share-based payments	**7,147**	7,147
	241,175	158,131
Depreciation and amortization		
— Property, plant and equipment	**36,812**	35,748
— Intangible assets (included in administrative and general expenses)	**4,051**	1,563
	40,863	37,311
Release of prepaid lease payments	**815**	537
Cost of inventories recognized as an expense	**1,517,099**	1,102,887
Auditors' remuneration	**2,532**	2,409
Allowances recognized (reversed) in respect of trade receivables	**16**	(193)

7. INCOME TAX EXPENSES

	2011	2010
	RMB'000	*RMB'000*
Current tax		
— PRC Enterprise Income Tax	**18,724**	19,268
— Overprovision of EIT in prior years	**(68)**	(2,222)
	18,656	17,046
Deferred tax		
— Current year	**(3,016)**	1,014
— Attributable to a change in tax rate	**—**	174
	(3,016)	1,188
	15,640	18,234

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 year.

The statutory tax rate of 泓淋科技有限公司 (Honglin Technology Co., Ltd.), a company established in Taiwan on 21 July 2010 is subject to 17% for both years. No provision for Taiwan income tax has been made as the company did not have any taxable income for the year.

PRC Enterprise Income Tax in respect of the Company's PRC subsidiaries has been calculated at the applicable tax rates on the estimated assessable profit for the year, based on existing legislation interpretations and practice in respect thereof.

8. DIVIDENDS

No dividend has been paid or proposed by the Company during the year ended 31 December 2011 nor has any dividend been proposed since the end of the reporting period (2010: nil).

9. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year ended 31 December 2011 is based on the profit attributable to owners of the Company for the year ended 31 December 2011 and on the weighted average of 720,000,000 shares (2010: 555,438,576 shares) in issue during the year.

The weighted average number of shares for the purpose of calculating the basic earnings per share for the year ended 31 December 2010 has been determined as if the effect of the five-for-one share subdivision and the capitalization issue have been adjusted retrospectively.

There were no potential dilutive shares in existence during the year ended 31 December 2010 and 31 December 2011 and therefore, no diluted earnings per share amounts have been presented.

10. TRADE AND OTHER RECEIVABLES

	Notes	2011 RMB'000	2010 RMB'000
Trade receivables	*a*	**888,812**	534,258
Less: Allowances for doubtful debts		**(1,239)**	(1,308)
		887,573	532,950
Bills receivable	*b*	**59,327**	137,069
Advance to suppliers		**76,618**	33,848
Value added tax ("VAT") receivable		**8,608**	7,445
Deposits and prepayments		**17,450**	11,981
Advances to third parties		**6,299**	10
Advances to staff		**2,812**	1,271
Advances to non-control interest shareholder		**1,902**	—
Other receivables		**678**	970
		1,061,267	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.

No interest is charged on the trade receivables.

The aged analysis of the Group's trade receivables (net of allowances for doubtful debts) presented based on the invoice date as at the end of the reporting period are as follows:

	2011 RMB'000	2010 RMB'000
Within 3 months	**724,709**	477,577
Over 3 months but within 6 months	**154,175**	54,001
Over 6 months but within 1 year	**8,689**	1,372
	887,573	532,950

(b) Bills receivable

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

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**27,267**	48,277
Over 3 months but within 6 months	**32,060**	88,792
	59,327	137,069

11. TRADE AND OTHER PAYABLES

		2011	2010
	Notes	***RMB'000***	*RMB'000*
Trade payables	*a*	**406,318**	204,386
Bills payable	*b*	**55,691**	119,789
Receipts in advance from customers		**4,781**	2,299
Other tax payables		**4,457**	4,075
Payables for acquisition of property, plant and equipment		**19,990**	30,589
Payrolls and staff cost payables		**15,909**	12,054
Advance from non-control interest shareholders		**5,737**	—
Accrued expenses		**9,127**	6,787
Other payables		**2,337**	4,590
		524,347	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 from suppliers.

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:

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**380,999**	191,276
Over 3 months but within 1 year	**23,782**	12,437
Over 1 year but within 2 years	**1,528**	310
Over 2 years	**9**	363
	406,318	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:

	2011 *RMB'000*	2010 *RMB'000*
Within 3 months	**15,504**	57,389
Over 3 months but within 6 months	**40,187**	62,400
	55,691	119,789

12. SHARE CAPITAL

	Number of shares	**Share capital** *US$'000*
Ordinary shares		
Authorized		
As at 1 January 2010 (USD0.10 each)	500,000,000	50,000
Subdivision of shares	2,000,000,000	—
As at 31 December 2010 and 2011 (USD0.02 each)	2,500,000,000	50,000

	Number of shares	**Share capital** *US$'000*	*RMB'000*
Issued and fully paid			
As at 1 January 2010 (USD0.10 each)	89,317,490	8,931	60,943
Issue of shares	2,857,422	286	1,951
Subdivision of shares	368,699,648	—	—
Issue of shares on capitalization issue	79,125,440	1,583	10,588
Issue of shares on Listing	180,000,000	3,600	23,919
As at 31 December 2010 and 2011(USD0.02 each)	720,000,000	14,400	97,401

The movements in the Company's authorized and issued share capital from 1 January 2010 to 31 December 2011 is as follows:

i. On 8 June 2010, the Company issued and allotted 2,857,422 ordinary shares of USD0.10 each, credited as fully paid, to Stamford Management Limited for a consideration of USD5,000,000 (equivalent to approximately RMB34,140,000) to provide for additional working capital to the Company.

ii. Subdivision of shares (the "Share Subdivision")

On 25 October 2010, each ordinary share of US$0.10 in the authorized and issued share capital of the Company was subdivided into five ordinary shares of USD0.02 each such that its resultant authorized share capital was USD50,000,000 divided into 2,500,000,000 ordinary shares of USD0.02 each and its resultant issued share capital was approximately USD9,218,000 divided into 460,874,560 ordinary shares of USD0.02 each.

iii. Capitalization issue (the “Capitalization Issue”)

Subsequent to the Share Subdivision, an amount of approximately USD1,583,000 standing to the credit of the share premium account of the Company was capitalized and applied to pay up in full at par a total of 79,125,440 new shares for allotment and issue to the shareholders of the Company whose names appeared on the register of members of the Company on 25 October 2010.

iv. On 16 November 2010, the Company issued 180,000,000 new shares of USD0.02 each at issue price of HKD2.8 per share pursuant to the listing of the Company’s shares.

All of the shares issued by the Company during the year rank pari passu with the then existing shares in all respects.

MANAGEMENT DISCUSSION & ANALYSIS

PERFORMANCE REVIEW

The year 2011, especially the second half of 2011, was overall a challenging and difficult year for most of the global economies, including the global computer and consumer electronics industries. Despite the challenging operating environment affecting sales growth momentum, we managed to record a satisfactory sales growth for the full year and demonstrated stronger resilience to the market downturn than other industry peers as a result of our continued ability to win market share and add new important customers in the global computer and consumer electronics markets, continuous product innovation and our growing presence in new markets such as PRC automobile and communication sector. As a result, the Group recorded revenue amounting to approximately RMB1,865.4 million in 2011, representing an increase of 31.9% as compared to approximately RMB1,414.0 million in 2010.

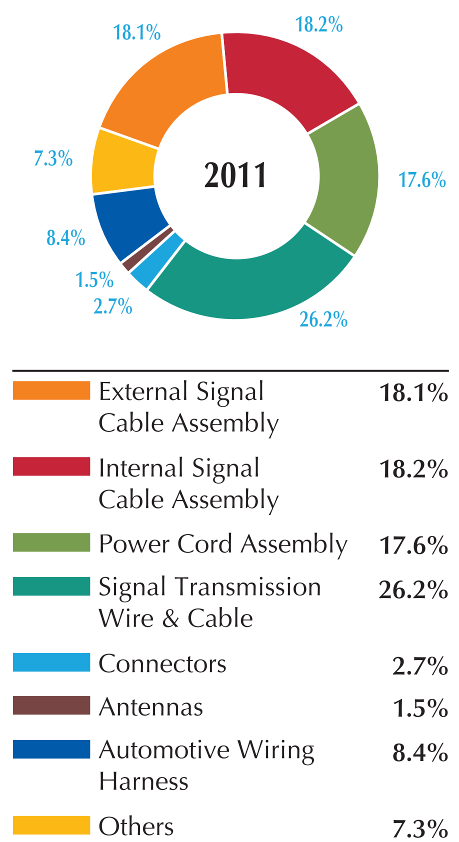
Due to the slowdown in market demand and our pricing strategy to capture more market share, affecting the average selling price of some of our products, especially in the second half of 2011, coupled with overall increase in raw materials and labor costs and the continued depreciation of US dollar against RMB in 2011, the Group’s gross profit margin has decreased to approximately 20.3% as compared to approximately 23.0% in 2010. To position the Group for sustainable long term growth, the Group has also continued to invest heavily in developing new products and new markets and therefore has incurred significantly higher operating expenses in areas including sales and marketing and research and development. As a result, the Group’s net profit has decreased to approximately RMB119.4 million as compared to approximately RMB155.0 million in 2010.

Even though such investments affect short term profit, they are necessary to make the Group a more competitive and diversified connectivity solutions provider, and new products we have managed to develop towards the end of 2011 include the SFP+ (Small form-factor pluggable) and MHL (Mobile High-definition Link) cable, which we believe can provide the Group with promising growth opportunities in the communication and high-end consumer electronics markets respectively. We are also on track to provide connectivity products for new markets such as the PRC solar and industrial markets in 2012.

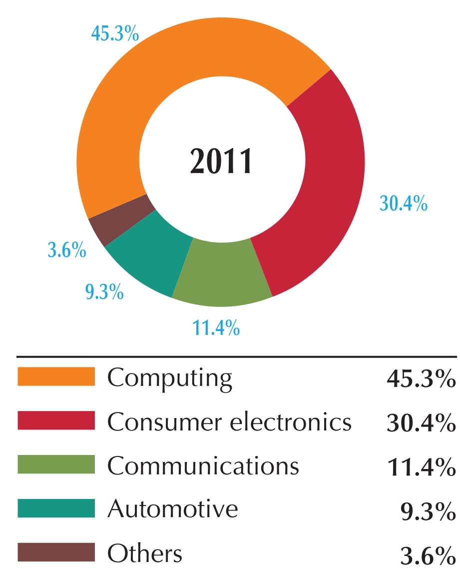
BUSINESS REVIEW

	Year ended 31 December				
	2011		2010		
	Revenue *RMB'000*	**% of Revenue**	Revenue *RMB'000*	% of Revenue	Change in %
External signal cable assembly	**337,750**	**18.1**	353,376	25.0	–4.4
Internal signal cable assembly	**339,859**	**18.2**	307,049	21.7	+10.7
Power cord assembly	**329,016**	**17.6**	246,777	17.5	+33.3
Signal transmission wire & cable	**488,422**	**26.2**	348,306	24.6	+40.2
Connectors	**49,928**	**2.7**	46,443	3.3	+7.5
Antennas	**28,462**	**1.5**	11,798	0.8	+141.2
Automotive wiring harness	**156,678**	**8.4**	—	—	N/A
Others	**135,261**	**7.3**	100,211	7.1	+35.0
Total	**1,865,376**	**100.0**	1,413,960	100.0	+31.9

2011 Revenue Breakdown by Products



2011 Revenue Breakdown by End Markets



Total revenue increased by approximately RMB451.4 million or approximately 31.9% as compared to 2010 as we witnessed growth in revenue across most of our key product segments including strong growth in our communication cable segment. The increase was primarily due to (i) our ability to gain market share in our key target markets despite the weak operating environment; and (ii) revenue contribution from new products such as wireless antennas and automotive wiring harness that only began to have revenue contribution from the fourth quarter of 2010 and beginning of 2011 respectively. However, our overall revenue was also negatively affected by the depreciating US dollar in 2011 and decrease in average selling price of some of our products because of pricing strategy to increase market share and also due to overall weakness in market demand especially in the second half of 2011.

External Signal Cable Assembly

	Year ended 31 December				
	2011		2010		
	Revenue *RMB'000*	**% of Revenue**	Revenue *RMB'000*	% of Revenue	Change in %
RGB assembly	**178,773**	**52.9**	174,379	49.3	+2.5
DVI assembly	**92,765**	**27.5**	90,445	25.6	+2.6
HDMI assembly	**561**	**0.2**	974	0.3	–42.4
USB assembly	**49,984**	**14.8**	75,065	21.2	–33.4
DC assembly	**15,667**	**4.6**	12,513	3.6	+25.2
	337,750	**100.0**	353,376	100.0	–4.4

Our external signal cable assembly segment recorded a decrease in revenue of approximately RMB15.6 million or approximately 4.4% as compared to 2010, as increase in revenue for RGB, DVI and DC assembly was offset by the decrease in revenue for USB assembly product due to our decision to exit the supply chain of two customers in 2011 as we re-schedule our production capacity for new customers we target to enter in 2012.

Internal Signal Cable Assembly

	Year ended 31 December				
	2011		2010		
	Revenue *RMB'000*	**% of Revenue**	Revenue *RMB'000*	% of Revenue	Change in %
LVDS	**270,220**	**79.5**	261,871	85.3	+3.2
Harness	**—**	**—**	973	0.3	–100.0
Flexible Flat Cable (FFC)	**69,639**	**20.5**	44,205	14.4	+57.5
	339,859	**100.0**	307,049	100.0	+10.7

Our internal signal cable assembly segment recorded an increase in revenue of approximately RMB32.8 million or approximately 10.7% as compared to 2010 mainly driven by the growth in our FFC segment which targets the global flat screen TV and monitor industry.

Revenue for our FFC segment increased by approximately 57.5% 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 in 2011.

Power Cord Assembly

Sales of power cord assembly increased by approximately RMB82.2 million or approximately 33.3% as compared to 2010, mainly driven by increase in sales volume as we continue to increase our market share with increasing 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 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 sales, which together with a weak operating environment, also negatively impact the profit margin of our power cord assembly segment. Nonetheless, in 2011, we also managed to win orders from important new customers in this segment including Dell, Sharp and Panasonic.

Signal Transmission Wire & Cable

	Year ended 31 December				
	2011		2010		
	Revenue *RMB'000*	**% of Revenue**	Revenue *RMB'000*	% of Revenue	Change in %
Communication cable	**134,491**	**27.5**	8,212	2.4	+1,537.7
Consumer electronics cable	**263,863**	**54.0**	254,712	73.1	+3.6
Automotive cable	**16,342**	**3.4**	18,196	5.2	–10.2
Power cable	**60,043**	**12.3**	59,126	17.0	+1.6
Others	**13,683**	**2.8**	8,060	2.3	+69.8
	488,422	**100.0**	348,306	100.0	40.2

Our signal transmission wire & cable segment recorded an increase in revenue of approximately RMB140.1 million or approximately 40.2% as compared to 2010, as we saw a strong increase in sales across products such as communication cable which increased by approximately 1,537.7% primarily due to increased revenue contribution from the customers of 惠州大亞灣和平通信電纜有限公司 (Huizhou Daya Bay Heping Telecommunication Co., Ltd., "Huizhou Daya Bay") post our acquisition in May 2011 and increased procurement volume from our existing customers. We have also started sale of wire & cable (primarily consumer electronics cable) manufactured using halogen-free materials towards the end of

2010. Of the total revenue of approximately RMB488.4 million for our signal transmission wire & cable segment, approximately RMB84.8 million or approximately 17.4% of revenue for this segment was generated by our halogen-free wire & cable as compared to approximately RMB25.9 million in 2010.

Connectors

Our connector segment recorded an increase in revenue of approximately RMB3.5 million or approximately 7.5% as compared to 2010, as our existing customers increased their procurement amount from us despite the weak global PC operating environment.

Antennas

Revenue for antennas increased by approximately RMB16.7 million or approximately 141.2% as compared to 2010 as we only started to manufacture and sell wireless antenna products in 2010. We continued to add new customers and has 4 customers as at 31 December 2011.

Automotive Wiring Harness

We identified the automotive wiring harness as a new segment market after we made an acquisition of 55% interest in Tianjin Rituo Automotive Electronics Co., Ltd. ("Tianjin Rituo") in February 2011 and primarily supplies to six Chinese automobile manufacturers as at 31 December 2011. Revenue attributable to automotive wiring harness segment for 2011 amounted to approximately RMB156.7 million or represented approximately 8.4% of the total revenue of the Group for the year ended 31 December 2011.

FINANCIAL REVIEW

Gross Profit and Margins

As a result of the foregoing, our gross profit increased by approximately RMB52.8 million, or approximately 16.2% in 2011 as compared to 2010. Our gross profit margin decreased from 23.0% in 2010 to 20.3% in 2011. Specifically,

	Year ended 31 December				
	2011		2010		
	Gross profit *RMB'000*	**Gross profit margin**	Gross profit *RMB'000*	Gross profit margin	Change in %
External signal cable assembly	**67,863**	**20.1**	79,867	22.6	–15.0
Internal signal cable assembly	**92,270**	**27.1**	85,784	27.9	+7.6
Power cord assembly	**42,799**	**13.0**	40,276	16.3	+6.3
Signal transmission wire & cable	**101,548**	**20.8**	78,245	22.5	+29.8
Connectors	**13,273**	**26.6**	14,637	31.5	–9.3
Antennas	**5,294**	**18.6**	1,233	10.5	+329.4
Automotive wiring harness	**35,444**	**22.6**	—	—	N/A
Others	**19,914**	**14.7**	25,572	25.5	–22.1
Total	**378,405**	**20.3**	325,614	23.0	+16.2

During the year, the Group recorded gross profit of approximately RMB378.4 million, representing an increase of approximately 16.2% as compared to 2010. Overall gross profit margin has decreased from 23.0% in 2010 to 20.3% in 2011. The decrease in gross profit margin for the year was mainly due to the negative impact of the depreciating US dollar had on our gross profit margin, decrease in average selling price for some of our products especially in external signal cable assembly and power cord assembly due to weakened market demand and that in order to increase our market share ahead of ongoing industry landscape change, we also undertook a more aggressive pricing strategy especially in the second half of 2011 and higher cost pressure in terms of labor and raw material costs in 2011 as compared to 2010.

Cost of Sales

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

	Year ended 31 December				
	2011		2010		
	RMB'000	**% of total Cost of sales**	*RMB'000*	% of total Cost of sales	Change in %
Raw material costs	**1,166,905**	**78.5**	850,696	78.2	+37.2
Utilities	**19,331**	**1.3**	16,451	1.5	+17.5
Depreciation	**25,646**	**1.7**	24,899	2.3	+3.0
Labor costs	**166,541**	**11.2**	113,725	10.4	+46.4
Outsourcing costs	**83,270**	**5.6**	62,209	5.7	+33.9
Others	**25,278**	**1.7**	20,366	1.9	+24.1
	1,486,971	**100.0**	1,088,346	100.0	+36.6

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

	Year ended 31 December				
	2011		2010		
	RMB'000	**% of raw material costs**	*RMB'000*	% of raw material costs	Change in %
Copper materials	**689,980**	**59.1**	490,851	57.7	+40.6
Plastic materials	**239,216**	**20.5**	147,170	17.3	+62.5
Iron materials	**59,173**	**5.1**	48,490	5.7	+22.0
Others	**178,536**	**15.3**	164,185	19.3	+8.7
	1,166,905	**100.0**	850,696	100.0	+37.2

Cost of sales increased by approximately RMB398.6 million, or approximately 36.6%, as compared to 2010. The increase was primarily due to (i) an increase in raw material costs of approximately 37.2%, mainly as a result of an overall increase in sales volume and the higher raw material prices in 2011 as compared to 2010. For plastic materials, the increase in cost is also 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; and (ii) an increase in labor costs of approximately 46.4%, mainly as a result of an increase in manufacturing staff (including contract workers and interns) from 4,250 as at 31 December 2010 to 8,067 as at 31 December 2011 and an overall increase in employee salaries in line with general inflation and our increase in production level for 2011.

Other Income, Other Gains and Losses

We have other income and gains of approximately RMB22.1 million which was primarily attributable to (i) interest income of approximately RMB10.1 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 RMB8.0 million as incentives for research and development effort of the Group; (iii) gains on disposal of property, plant and equipment and prepaid lease payments of approximately RMB1.7 million; and (iv) net positive changes in fair value of our hedging positions in copper and US dollar of approximately RMB3.6 million as at 31 December 2011.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB21.8 million, or approximately 80.1% as compared to 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 particularly in our high frequency cable business and also new markets (such as connectivity products for PRC photovoltaic and industrials market) that the Group will target to gradually enter in 2012. In particular, the increase was due primarily to (i) an increase in transportation expenses of approximately RMB6.2 million or approximately 50.3%, which is generally in line with the increase in revenue and as level of marketing activities increased; (ii) an increase in staff costs of approximately RMB7.3 million or approximately 179.9%, primarily due to the establishment of our Taipei office and Chongqing base in September 2010 and March 2011 respectively, new sales and marketing teams being set up for high frequency cable, solar connector and specialty power cable segments and the additional staff we took on after acquiring Tianjin Rituo and Huizhou Daya Bay. As at 31 December 2011, we have a total of 204 sales and marketing staff as compared to 126 as at 31 December 2010; and (iii) an increase in entertainment expenses of approximately RMB3.2 million or approximately 64.0%, primarily due to an increase in sales and marketing activities.

Administrative and General Expenses

Administrative and general expenses increased by approximately RMB44.2 million, or approximately 60.9% as compared to 2010. This increase was primarily due to (i) an increase in salary expenses of approximately RMB24.9 million or approximately 108.3%, attributable to the increase in general and administrative personnel and their corresponding salary 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 678 as at 31 December 2011 as compared to 661 as at 31 December 2010; (ii) an increase in depreciation expenses and office expenses of approximately RMB1.8 million or approximately 34.2% and approximately RMB1.6 million or approximately 22.9% 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 Changshu, 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 RMB2.5 million or approximately 83.8%, in line with increased business operations and as a result of the acquisition of Tianjin Rituo and Huizhou Daya Bay; and (iv) increase in rental expenses of approximately RMB3.5 million or approximately 428.9%, primarily as a result of the new Taipei and Hong Kong office that was established in September 2010 and June 2011 respectively and also due to the acquisition of Tianjin Rituo and Huizhou Daya Bay.

Research and Development Expenses

Research and development expenses increased by approximately RMB31.2 million, or approximately 101.0% as compared to 2010. This significant increase was primarily due to an increase in salary expenses for research and development personnel of approximately RMB8.8 million, or approximately 85.7%, as we increased the number of R&D staff to 288 as at 31 December 2011 as compared to 181 as at 31 December 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, production process including automation and development of new products such as high frequency cable, automotive wiring harness, specialty power cable and solar 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 RMB15.6 million, or approximately 107.2%.

Finance Costs

Finance costs increased by approximately RMB18.4 million, or approximately 96.6%, as compared to 2010, due to an 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 interest rate for our short term loans (both in RMB and US dollar) for 2011 is higher than the average rate for the same period in 2010 and thereby increased the interest cost for our borrowings.

Income Tax Expenses

Our income tax expenses reduced by approximately RMB2.6 million, or approximately 14.2% as compared to 2010, primarily due to the effect of negative deferred tax of approximately RMB3.0 million in the year 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 and adjustment for over provision of EIT in prior years, our PRC enterprise income tax ("EIT") decreased by approximately RMB0.5 million, or approximately 2.8% as a result of decrease in our profit before taxation. Overall, for 2011, our effective tax rate was 11.6% as compared to 10.5% in 2010.

Profit for the Year

As a result of the foregoing, profit attributed to the Group for year ended 31 December 2011 decreased by approximately RMB35.7 million, or approximately 23.0% as compared to RMB155.0 million 2010. Our net profit margin was approximately 6.4% in 2011 as compared to approximately 11.0% in 2010. The decrease in net profit margin was primarily due to (i) impact of decrease in gross profit margin; (ii) the significant increase in operating expenses, including selling and distribution expenses, administrative and general expense and research and development expenses, as the Group continues to invest in new products and markets that did not yet have revenue contribution in 2011; and (iii) the acquisition of Tianjin Rituo and Huizhou Daya Bay where both these newly acquired entities' profitability is relatively lower than that of our Group's existing business as a whole.

Liquidity and Financial Resources

The Group will continue to implement prudent financial management policy and maintain a reasonable gearing ratio during expansion. As at 31 December 2011, the Group's gearing ratio (measured by total short term borrowings as a percentage of total assets of the Company) was approximately 28.4% (31 December 2010: approximately 33.5%).

As at 31 December 2011, the total short-term borrowings of the Group amounted to approximately RMB653.5 million (31 December 2010: approximately RMB663.1 million). Out of this amount, approximately RMB185.3 million was denominated in US dollar and approximately RMB468.2 million in Renminbi. These loans carried interests at floating or fixed rates. For the total short-term borrowings of approximately RMB653.5 million, approximately RMB317.3 million was secured loans.

Breakdown of our short-term borrowings is as follows:

	As at 31 December 2011	As at 31 December 2010
	RMB'000	*RMB'000*
Trade financing	**207,240**	115,854
Note receivable discounted	**5,096**	92,821
Bank borrowings	**441,135**	454,431
Total	**653,471**	663,106

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 31 December 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 31 December 2011.

Foreign Currency Risk

As certain of our trade and other receivables, trade and other payables and bank borrowings of the Group are denominated in foreign 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 31 December 2011 was approximately RMB319.5 million (31 December 2010: approximately RMB178.5 million). The increase in inventory was primarily as a result of the our newly acquired entities, namely Tianjin Rituo and Huizhou Daya Bay, in 2011 which increased our overall inventory level, contributing approximately RMB104.0 million increase in our inventory as at 31 December 2011. The average turnover days for inventory stood at 61 days as compared to 60 days in 2010.

Trade and bill receivables balance as at 31 December 2011 was approximately RMB946.9 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 158 days as compared to 134 days in 2010, primarily due to the relatively longer credit terms for customers of our newly acquired entities, namely Tianjin Rituo and Huizhou Daya Bay. As at 31 December 2011, approximately 79.4% of our trade and bill receivables were due within three months.

Trade and bill payables balance as at 31 December 2011 was approximately RMB462.0 million (31 December 2010: approximately RMB324.2 million). The increase in trade and bill payables balance was generally in line with the increased scale of our business operations in 2011. The average turnover days for trade and bill payables was 97 days as at 31 December 2011 as compared to 93 days in 2010.

Our cash conversion cycle for the year ended 31 December 2011 was approximately 122 days as compared to 101 days for 2010.

Cash Flow

	For the year ended 31 December	
	2011	2010
	RMB'000	*RMB'000*
Net cash used in operating activities	**(167,546)**	(114,539)
Net cash from/(used in) investing activities	**161,211**	(549,936)
Net cash (used in)/from financing activities	**(47,423)**	751,139

Net cash used in operating activities for the year ended 31 December 2011 was approximately RMB167.5 million primarily due to higher trade and bills receivables balance as at 31 December 2011 as a result of sales generated in the second half of 2011 of which most receivables is still outstanding according to our standard credit policy and also due to the additional trade and bills receivables balance that only arisen as at 31 December 2011 for our newly acquired entities.

Net cash from investing activities for the year ended 31 December 2011 of approximately RMB161.2 million was primarily attributable to the release of pledged bank deposits of approximately RMB468.8 million netted against the payment for prepaid lease payments and purchase for property, plant and equipment as we increase our business operations and scale.

Net cash used in financing activities for the year ended 31 December 2011 of approximately RMB47.4 million was primarily attributable to decrease in net borrowings.

Capital Expenditures

For the year ended 31 December 2011, we incurred total capital expenditures of approximately RMB234.7 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.

Capital Commitment

As of 31 December 2011, the Group had a total capital commitment of RMB71.3 million (31 December 2010: RMB56.5 million), mainly used in respect of acquisition of property, plant and manufacturing facilitates.

Employees

As at 31 December 2011, we have a total of 9,566 full time staff, of which 3,042 were our direct employees (31 December 2010: 1,638) and 5,437 were our contract workers (31 December 2010: 3,870). As at 31 December 2011, we also have 1,087 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 31 December 2011 is as follows:

	As at 31 December 2011	As at 31 December 2010
Manufacturing	**1,543**	380
Sales and marketing	**204**	126
General and administration	**678**	661
Research and development	**288**	181
Quality control	**329**	290
Total	**3,042**	1,638

Use of Proceeds Raised from the Global Offering

The net proceeds from the Global Offering, after deducting the relevant cost were approximately HKD470.3 million (equivalent to approximately RMB400.7 million). As at 31 December 2011, the Company utilized the proceeds of approximately RMB265.9 million to the Group's new development projects, research and development and working capital. The Directors do not anticipate any changes to its plan on the use of proceeds as stated in the Prospectus.

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. As at 31 December 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	65.6
(2)	Development and production of new products	176.3	136.2
(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	265.9

Capital Increase Agreement for Tianjin Rituo

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, 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 PRC.

Acquisition of Huizhou Daya Bay and Capital Injection

On 4 May 2011, Weihai Electronic, a wholly-owned subsidiary of the Company (as Purchaser) entered into the Acquisition and Capital Injection Agreement with Tian Hong Zhen, 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 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.

In August and December 2011, Weihai Electronic as part of capital injection, further injected RMB20,000,000 and RMB43,200,000 into Huizhou Daya, and the percentage of equity interest of Huizhou Daya hold by the Group increased to 97.27% at the end of 31 December 2011. In March 2012, Weihai Electronic acquired the remaining 2.73% non-control interest with the consideration amount of approximately RMB1,992,000.

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 PRC.

OUTLOOK

With a history of almost 15 years, the Group has navigated through different economic crises over such period and has consistently overcome them and become a more competitive and stronger enterprise as a result. Under the current tough environment, we believe that the Group is well positioned to be one of a few winners by delivering value to our customers, improving product mix, and increasing market share. The Group is also proactively addressing the impacts of the uncertain operating environment by implementing appropriate inventory policy, tightening credit and cost control and scaling back capital expenditure in certain areas to better manage our operations. In 2012, the Group will however continue to invest, when necessary, in research and development, staff recruitment, production facilities and marketing efforts in order to strengthen the Group's competitive advantage and to best position ourselves to benefit from market recovery.

DIVIDEND

The Directors considered that the declaration, payment and amount of the dividend shall be subject to the status of the Group's future development. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2011 (2010: Nil) and will consider to formulate a dividend policy at an appropriate time in the future.

CLOSURE OF TRANSFER BOOKS AND REGISTER OF MEMBERS

The transfer books and register of members of the Company will be closed from 22 May 2012 to 29 May 2012 (both dates inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the annual general meeting of the Company, all transfers of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 21 May 2012.

CORPORATE GOVERNANCE PRACTICES

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 of Hong Kong Limited on 16 November 2010 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 year ended 31 December 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.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year ended 31 December 2011.

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") pursuant to a resolution of Directors passed on 25 October 2010 in compliance with Rule 3.21 of the Listing Rules. The primary responsibilities of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors, review the financial statements and material advice in respect of financial reporting, and oversee the internal control procedures of the Company. The Audit Committee consists of three members, namely, Mr. 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.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2011.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Company has not redeemed any of its listed shares during the year ended 31 December 2011. Neither the Company nor any of its subsidiaries has purchased, sold or repurchased any of the Company's listed securities during the year ended 31 December 2011.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2011 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

AUDITED FINANCIAL STATEMENTS

The Group's consolidated financial statements have been audited by the Group's external auditor, Deloitte Touche Tohmatsu who has issued an unqualified opinion.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Tuesday, 29 May 2012 and the notice of annual general meeting will be published and despatched to shareholders of the Company in due course.

ANNUAL REPORT

The annual report of the Company for the financial year ended 31 December 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 the order of the Board
HL Technology Group Limited
Chi Shaolin
Chairman

Hong Kong, 22 March 2012

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 purpose only*