Web Proof Information Pack of

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

(Incorporated in the Cayman Islands with limited liability)

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OVERVIEW

We are a "one-stop" provider of a broad line of cable assembly and connector related products with a leading market share for external signal cable assembly, notebook internal signal cable assembly, power cord assembly and signal transmission wire & cable products for the global high-end consumer electronics industry. We focus on the design, research and development, manufacture and sale of our own "Hong-lin" brand name products and have developed an extensive product portfolio covering signal cable assembly, power cord assembly, wire & cable (primarily for signal transmission purpose) and connector products which are mainly used in (i) personal computers and notebooks, (ii) LCD and LED TV, (iii) mobile handsets and (iv) digital cameras. In addition, we offer a comprehensive range of products of different specifications and varieties within each key product type and are therefore able to provide our target customers with a "one-stop" total solution for their signal cable assembly, power cord assembly, wire & cable and connector products needs. We have also developed and started manufacturing of wireless antenna products for signal transmission use in notebooks, routers and mobile handsets in 2010.

According to Frost & Sullivan, an independent market research and consulting company, in our target global high-end consumer electronics market which amounted to about US$560.5 billion or represented about 82.3% of the global consumer electronics market in 2009 (total size in terms of revenue amounting to about US$681.0 billion in 2009), (i) we are the second largest manufacturer of external signal cable assembly products in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 20.8% and 21.8%, respectively; (ii) among all the notebook internal signal cable assembly manufacturers in the world, we ranked fifth in terms of revenue for 2009 with a market share of 10.7% and third in terms of revenue for the first half of 2010 with a market share of 19.0%; (iii) we ranked fifth among all the power cord assembly manufacturers in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 4.1% and 5.6%, respectively; and (iv) among all the signal transmission wire & cable manufacturers in the world, we ranked fifth in terms of revenue for 2009 with a market share of 3.9% and third in terms of revenue for the first half of 2010 with a market share of 7.3%. According to Frost & Sullivan, the global external signal cable assembly and power cord assembly markets catering to the consumer electronics industry and the global notebook internal signal cable assembly market are dominated by a few players with the top five players capturing about 85.3%, 90.3% and 90.6% of market share respectively in 2009 and 86.2%, 94.2% and 94.1% of market share respectively in the first half of 2010 whereas the global signal transmission wire & cable market is fairly concentrated, with the top five players capturing about 54.0% and 71.0% of market share respectively in 2009 and the first half of 2010. For details on the top five players in such global product markets for the consumer electronics industry, please refer to the sections headed "Industry Overview — Global External Signal Cable Assembly Market — Competitive Landscape", "— Global Notebook Internal Signal Cable Assembly Market — Competitive Landscape", "— Global Power Cord Assembly Market — Competitive Landscape" and "— Global Signal Transmission Wire & Cable Market — Competitive Landscape".

We have been selected as a core supplier for a number of our products to Samsung, LG, Eastman Kodak, Amphenol, Haier, Hisense, Quanta, Compal, Qisda, TPV Technology, Wistron, Innolux, ZTE and Inventec. Of such customers, LG, TPV Technology, Samsung, Compal, Quanta and Haier were among our ten largest customers during the Track Record Period whereas Eastman Kodak, Amphenol, Hisense, Qisda, Wistron, Innolux, ZTE and Inventec were not. The Directors believe that the reasons for us being selected as core supplier were because we were able to meet the key criteria that these customers normally require for their selection of core suppliers, including but not limited to (i) strong research and development capabilities that allow their core suppliers to design and develop new products and solutions that meet such customers' requirements in a timely manner; (ii) ability to meet their requirements for high product quality and timely product delivery; (iii) comprehensive product offerings; and (iv) strong manufacturing capabilities. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, total sales to these customers (determined on the basis that sales to all the member companies of a group company are combined as sales to one customer) amounted to approximately RMB284.5 million, RMB407.1 million, RMB449.5 million and RMB321.5 million, accounting for 43.6%, 45.3%, 51.5% and 50.6% of total revenue, respectively. We believe that our strong research and development capability, continuous focus on product innovation and stringent quality control enable us to provide a range of high and stable quality products that meet the requirements of our customers and become a strategic partner and major supplier to many of our key customers, such as Samsung, LG, Eastman Kodak, Haier, Hisense, Compal, Qisda, TPV Technology and Amphenol, with which we have established strong and long-standing relationships. Sales to our top ten customers amounted to about RMB433.9 million, RMB540.4 million, RMB549.0 million and RMB381.7 million and accounted for about 66.5%, 60.2%, 62.9% and 60.0% of the total sales during the Track Record Period. In terms of total number of customers, our customers increased from 68 as at the end of 2007 to 97 as at the end of 2008, 124 as at the end of 2009, and 147 as at the end of June 2010.

Our key manufacturing facilities are strategically located in (i) Weihai, Shandong Province; (ii) Suzhou, Jiangsu Province; (iii) Wuhan, Hubei Province; and (iv) Shenzhen, Guangdong Province, which are major consumer electronics manufacturing and/or distribution hubs in China. We believe that our proximity to our key customers enables us to provide a more timely response to customer requirements and quality services in terms of customer communications, understand their latest product development strategies, provide prompt technical support and maintain closer collaboration with such customers.

We adopt a vertically integrated production process starting from the production of our own plastic materials, drawing of our own copper, and processing of wire & cable products into finished signal cable assembly and power cord assembly products. For production of our connector products, we are able to conduct key processes in-house such as product design and development, stamping and plastic mold design, metal stamping, plastic injection and final product assembly. This vertically integrated strategy enables us to, among others, conduct highly coordinated research and development and production activities to design and produce new products in a timely manner in order to meet the requirements of our customers, to have better control over the quality of our products, and to enhance our cost effectiveness, thereby increasing our overall competitiveness.

Due to the ever changing nature of the consumer electronics industry, we place a strong emphasis on research and development which allows us to continuously develop innovative high quality products, working closely with our customers in the initial design of the cable assembly and connector related components they require for use in their new products and meet their quality and delivery requirements. We also focus our research and development efforts on ways to reduce the cost and increase the manufacturing efficiency of our existing products while investing significant resources in developing new products. To further strengthen our research and development capability, our research and development staff within the engineering department located in each key manufacturing facility will only focus on improving the quality of existing products and increasing manufacturing efficiency while research and development of new types of products will be carried out in dedicated research and development centers. Major research and development projects that we undertook during the Track Record Period include, among others, those related to high speed parallel data cable, data transmission line, wireless communication signal coaxial cable, high-frequency signal transmission wire and preparation method, and power supply signal cable. Our current research and development projects for new products include specialty power cable, high speed cable, environmentally friendly low smoke halogen-free insulating materials, solar connectors and automotive wiring harness products. According to Frost & Sullivan, we are one of the first Chinese manufacturers to develop and produce one-piece shield plug (一體式屏蔽插頭) and high speed cable (高速平衡對稱數據線纜) and also one of the few Chinese manufacturers which have successfully developed LVDS assembly and high frequency data cable which exceeds 20 Gigabit Ethernet. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our research and development expenses amounted to approximately RMB23.2 million, RMB26.3 million, RMB27.3 million and RMB12.7 million, accounting for 3.5%, 2.9%, 3.1% and 2.0% of total revenue, respectively.

In line with our initiatives to explore new potential markets and in response to increasing market demand for cable assembly and connector related products with an increasing variety of applications, in addition to our newly developed antenna products, we plan to increase our product offerings to include automotive wiring harness products, specialty power cables and solar connectors and also increase our focus on the manufacture and sale of low smoke halogen-free insulating materials, a relatively new type of environmental friendly materials increasingly used for cable jacketing in the wire and cable industry. We will establish a research and development center in Weihai in December 2010, dedicated to developing new products such as automotive wiring harness and specialty power cables. The new research and development center in Suzhou expected to be operational in December 2010 would primarily be used for research and development of high frequency data type of communication cables, antennas, solar connectors and environmentally friendly low smoke halogen-free insulating materials while the new research and development center in Taipei, Taiwan which started to be operational in September 2010 will primarily focus on antennas and connectors used in mobile handsets, notebooks, GPRS systems and network communications (including routers and network cards).

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we recorded revenue of approximately RMB652.6 million, RMB898.0 million, RMB872.4 million and RMB635.7 million, respectively. For the same period, we recorded net profit attributable to owners of our Company of RMB62.7 million, RMB54.4 million, RMB88.3 million and RMB69.7 million, respectively. The decrease in revenue in 2009 as compared to 2008 was primarily due to an overall decrease in average unit selling prices of our products mainly as a result of lower average copper price in 2009, which was partially offset by an overall increase in sales volume of our products as we increased production to meet customer demand as the global economy started to recover in 2009. Net profit attributable to owners of our Company decreased in 2008 as compared to 2007 primarily due to (i) the decrease in gross profit margin and increases in bad debt provision and provision for impairment of inventories in 2008 as compared to 2007, mainly as a result of the negative impact of the economic downturn in 2008; and (ii) an increase in income tax expenses from RMB2.4 million in 2007 to RMB11.5 million in 2008 as we recognized the withholding tax of RMB6.2 million on profits to be distributed to our shareholders as dividends in 2008 pursuant to the new PRC income tax law while there was no such withholding tax in the prior year.

COMPETITIVE STRENGTHS

- "One-stop" provider of cable assembly and connector related products with leading market share for signal cable assembly, power cord assembly and signal transmission wire & cable products in the global high-end consumer electronics industry
- Strong research and development capabilities and commitment to product innovation and quality
- Comprehensive products offering
- Vertically integrated and cost efficient business model
- Solid customer base and strategically located production facilities

BUSINESS STRATEGIES

- Further strengthen our leading market position and increase our market share
  - Further strengthening our research and development capabilities
  - Development of new products
  - Expanding our production capacity
- Leveraging our close relationship with reputable customers to further develop existing and new markets for our products
- Expand our existing customer base by leveraging on our Taipei subsidiary to focus on leading and sizable consumer electronic products equipment manufacturers in Japan, Europe and North America
- Pursue opportune acquisition opportunities to complement our business development focuses and strengthen our research and development capabilities
- Attract and retain skilled and experienced professionals

SUMMARY FINANCIAL INFORMATION

You should read the summary consolidated financial information below in conjunction with the audited historical consolidated financial statements of our Company, which have been prepared in accordance with IFRS and are included in the Accountant's Report as Appendix I to this document. The summary historical consolidated statements of comprehensive income information and the summary historical consolidated statements of cash flows information for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 and the summary historical consolidated statements of financial position information as of 31 December 2007, 2008 and 2009 and 30 June 2009 and 2010 set forth below have been derived from our audited historical consolidated financial statements.

Summary Consolidated Statements of Comprehensive Income

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	652,628	897,999	872,396	366,566	635,680
Cost of sales	(517,283)	(723,211)	(674,422)	(283,765)	(491,706)
Gross profit	135,345	174,788	197,974	82,801	143,974
Other gains and losses	10,821	(2,506)	8,273	1,620	(1,958)
Distribution and selling expenses	(14,809)	(18,891)	(20,480)	(8,981)	(12,859)
Administrative and general expenses	(30,915)	(45,422)	(47,978)	(22,282)	(29,039)
Research and development expenses	(23,152)	(26,280)	(27,278)	(12,212)	(12,735)
Finance costs	(9,117)	(15,625)	(13,924)	(6,746)	(8,929)
Share of loss of an associate	(214)	—	—	—	—
Profit before taxation	67,959	66,064	96,587	34,200	78,454
Income tax expenses	(2,449)	(11,529)	(8,090)	(3,354)	(8,253)
Profit and total comprehensive income for the year/period	65,510	54,535	88,497	30,846	70,201
Profit and total comprehensive income attributable to:					
— Owners of the Company	62,663	54,402	88,265	31,240	69,701
— Non-controlling interests	2,847	133	232	(394)	500
	65,510	54,535	88,497	30,846	70,201
Earnings per share — basic (RMB cents)	13.2	11.2	16.9	6.0	13.3

Summary Consolidated Statements of Financial Position

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	193,782	268,408	308,576	325,960
Prepaid lease payments	17,264	16,904	16,544	26,568
Intangible assets	1,868	4,029	5,821	8,631
Deferred tax assets	4,518	4,435	3,904	3,499
Interest in an associate	1,210	—	—	—
	218,642	293,776	334,845	364,658
CURRENT ASSETS				
Inventories	139,116	115,309	115,594	185,306
Trade and other receivables	241,327	338,798	423,521	592,455
Derivative financial assets	—	—	—	1,774
Prepaid lease payments	360	360	360	565
Restricted bank balances	19,272	34,976	41,471	39,046
Bank balances and cash	19,805	23,413	73,744	75,170
	419,880	512,856	654,690	894,316
CURRENT LIABILITIES				
Trade and other payables	320,600	335,341	302,007	311,343
Derivative financial liabilities	—	920	—	1,202
Income tax liabilities	204	2,859	7,139	8,970
Bank borrowings	140,168	243,276	353,439	501,755
	460,972	582,396	662,585	823,270
NET CURRENT (LIABILITIES) ASSETS	(41,092)	(69,540)	(7,895)	71,046
TOTAL ASSETS LESS CURRENT LIABILITIES	177,550	224,236	326,950	435,704
CAPITAL AND RESERVES				
Paid-in capital/share capital	127,401	60,943	60,943	62,894
Reserves	42,680	160,203	255,615	361,078
Equity attributable to owners of the Company	170,081	221,146	316,558	423,972
Non-controlling interests	7,469	—	10,392	11,732
Total equity	177,550	221,146	326,950	435,704
NON-CURRENT LIABILITIES				
Deferred tax liabilities	—	3,090	—	—
	177,550	224,236	326,950	435,704

Summary Consolidated Statements of Cash Flows

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	10,753	1,743	470	33,505	(144,099)
NET CASH USED IN INVESTING ACTIVITIES	(91,953)	(117,525)	(70,495)	(40,059)	(38,641)
NET CASH FROM FINANCING ACTIVITIES	90,904	119,390	120,356	19,376	184,166
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,704	3,608	50,331	12,822	1,426
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	10,101	19,805	23,413	23,413	73,744
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, Represented by bank balances and cash	19,805	23,413	73,744	36,235	75,170

We had cash inflow from operating activities of RMB10.8 million, RMB1.7 million and RMB0.5 million for the years ended 31 December 2007, 2008 and 2009, respectively. The reasons for the relatively low cash flows from operating activities for the three years ended 31 December 2009 were primarily due to the strong expansion of the Group's business scale in general during the Track Record Period, resulting in increase in credit sales and leading to subsequent increase in trade and bills receivable and also inventories as we increased our production capacity and stock up of raw materials and finished goods in order to meet our customer demand. In particular, the revenue of the Group increased from about RMB652.6 million in 2007 to about RMB872.4 million in 2009, representing a CAGR of 15.6%. In terms of number of customers, our customers increased from 68 as at end of 2007 to 124 as at end of 2009, representing an increase of 82.4%. Our trade and bills receivable turnover days increased from 118 days in 2007 and 2008 to 154 days in 2009 primarily due to changes in the mix of our customer base because we managed to further establish our reputation, increased our research and development capability and product offerings range which allowed us to win major new customers in the global consumer electronics industry in particular new Taiwanese customers. Normal credit terms granted to these Taiwanese customers in general is 120-180 days which is more than what we offer to our other customers which typically ranges from 60-90 days.

We experienced negative cash flows from operating activities for the six months ended 30 June 2010 and a substantial increase in trade and bill receivables, inventories as at 30 June 2010 and inventory turnover days for the first half of 2010 primarily due to our strong sales performance in the first half of 2010 partly attributable to the continued recovery of the global consumer electronics industry which according to Frost and Sullivan is expected to grow at 10.9% in 2010 as compared to a negative growth of 1.6% in 2009 and also because we continued to increase our production capacity to meet current and future expected customer demand. In particular, the revenue of the Group amounted to about RMB635.7 million for the six months ended 30 June 2010 as compared to RMB366.6 million for the same period in 2009, representing an increase of 73.4%. Our customer base continued to strengthen, increasing from 124 as at the end of 2009 to 147 as at the end of June 2010, representing an increase of 18.5%. Nonetheless, as at 30 June 2010, 90.4% of our total trade and bills receivables of RMB499.0 million was still aged within 3 months. In addition, we strategically increased purchases of copper materials during May and June 2010 in anticipation of increased production needs in the second half of 2010 after considering the trend of copper price and we expanded production resulting in increase of finished goods in preparation for the anticipated increase in customer orders for the second half of 2010.

The Group manages its funds stringently and ensures that the Group has adequate funds to meet its commitments by:

(i) effectively utilizing our cash generated from our operations and trade credit from our suppliers;

(ii) ensuring prompt and timely collection of trade and bills receivables to improve our cash flow position. For illustration purpose, as at 30 June 2010, 90.4% of our total trade and bills receivables of RMB499.0 million was aged within 3 months as compared to 83.1% as at 31 December 2009. In addition, our trade and bills receivable turnover days improved to 143 days for the six months ended 30 June 2010 as compared to 154 days for the year ended 31 December 2009;

(iii) leveraging on bank borrowings while maintaining a reasonable gearing ratio;

(iv) exploring ways to continue improving the capital structure and provide a long-term and stable source of funding to our Group such as the [●] by [●] and [●]; and

(v) formulating an annual business plan and budget and performing regular budget review to determine including but not limited to, our capital requirements, expansion plans and business needs.

As of 30 September 2010, approximately RMB295.3 million of the RMB408.2 million trade receivables outstanding as of 30 June 2010 had been settled. As of 30 September 2010, approximately RMB67.1 million of the RMB90.9 million bills receivables outstanding as of 30 June 2010 had been settled.

As of 30 September 2010, we used up approximately RMB178.4 million of the RMB185.3 million inventories outstanding as of 30 June 2010 for production.

As of 30 September 2010, the Group has unutilized banking facilities of approximately RMB205.4 million and RMB372.1 million that are expected to expire as of 31 December 2011 and 31 December 2012 respectively.

DIVIDENDS

We currently do not have a fixed dividend policy. The declaration, payment and amount of dividends in the future will be subject to the discretion of the Board and will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us or our operating subsidiaries in the PRC, future prospects and other factors that our Directors may consider relevant. If any dividends are declared and paid by us, holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to the discretion of the Directors.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Prior to the Reorganization, dividends in the amount of approximately RMB0.3 million were paid by Weihai Cable to its then shareholders for the year ended 31 December 2007 and dividends in amount of RMB24.0 million were paid by Weihai Electronic to its then shareholders for the year ended 31 December 2008. The shareholders of the PRC Subsidiaries resolved that the remaining profits from operation of our PRC Subsidiaries for the two years ended 31 December 2009 and their profits from operation for the year ending 31 December 2010 will be retained and will not be distributed.

NON-COMPLIANT BILL FINANCING

From July 2005 to June 2009, we obtained additional funding for our business operations through issuing bank acceptance notes that were within the credit limits stipulated by the endorsing banks and supported by the initial deposits by us, but were used for purposes other than the payment for the purchases from relevant suppliers ("non-compliant bill financing"). See "Business — Non-compliant Bill Financing". As the discounted interest rates of bank acceptance notes are normally lower than the prevailing interest rates for short-term bank loans, to take advantage of these lower interest rates, we used the non-compliant bill financing arrangements to fund a portion of our business operations. The funding for our business operations obtained from the banks through such non-compliant bill financing in 2007, 2008 and 2009 was estimated to be approximately RMB14.9 million, RMB49.7 million and RMB34.6 million, respectively, and based on relevant prevailing interest rates of short-term bank loans, for illustration purpose only, we estimated that our savings in interest payments from the non-compliant bill financing arrangements were approximately RMB204,000, RMB936,000 and RMB789,000 in 2007, 2008 and 2009, respectively. We ceased entering into non-compliant bill financing transactions in June 2009 and all bank acceptance notes involved in such non-compliant bill financing were fully settled by December 2009. Our PRC legal advisor has advised us that (1) due to the fact that the relevant banks and third parties have not incurred any losses, we will not have any liability under any civil claims arising from such non-compliant bill financing, (2) our Directors and senior management will not be personally liable for any civil claims, and (3) there are no relevant PRC laws or regulations, nor are there any relevant rules promulgated by the PBOC or the China Banking Regulatory Commission (中國銀行業監督管理委員會) ("CBRC") imposing administrative or criminal liability in respect of such non-compliant bill financing. In particular, pursuant to Article 3 of the PRC Criminal Law (中華人民共和國刑法) and Article 4 of the PRC Administrative Penalty Law (中華人民共和國行政處罰法) describing the principles of "a legally prescribed punishment for a specified crime" and "administrative penalty decided by statutory regulations," there is no legal basis for any PRC regulating authority to impose administrative or criminal liability on us, our Directors or senior management in relation to the overstated bill financing. Since June 2009, we have formulated and implemented a series of measures to ensure that such non-compliant bill financing arrangements will not occur in the future. Since April 2010, we have engaged independent internal control advisors who assisted us to strengthen our internal control system and implement various rectifying measures to ensure that such non-compliant bill financing activities will not occur in the future. See "Business — Non-compliant Bill Financing — Strengthening our internal control system and corporate governance measures" and "Business — Internal Control".

RISK FACTORS

Our operations, the industry in which we operate and [●] involve certain risks, a summary of which is set forth in the section headed "Risk Factors" in this document. These risks can be classified as follows:

Risks related to our business and industry

- Our business, results of operations and financial condition are adversely affected by economic cycles, including the recent global financial and economic crisis
- We rely upon a number of major customers for a substantial portion of our revenues
- We may not be able to develop, manufacture and introduce new and technologically enhanced products that meet our customers' requirements consistently
- The selling prices of a number of our products may decrease over time. If we cannot supplement our product portfolio with new products that have higher selling prices or lower the production costs of our products, our revenues and gross margins will decline
- Our products are required to meet industry technical standards or governmental safety requirements and our customers place significant emphasis on product quality and reliability in selecting their suppliers. As a result, if our products experience quality deficiency issues, our business, results of operations and financial condition could be materially and adversely affected
- If our inventories become obsolete, our future performance and operating results will be adversely affected
- If we fail to effectively implement our production plan, our results of operations may be materially and adversely affected
- Our failure to acquire raw materials or to fill our customers' orders in a timely and cost-effective manner could materially and adversely affect our business operations
- Significant fluctuations in the prices of our major raw materials could adversely affect our business, results of operations and financial condition
- We generate a significant amount of international sales. Conducting business in international markets involves risks and uncertainties such as foreign exchange rate exposure and political and economic instability that could lead to reduced international sales and reduced profitability associated with such sales

- We have experienced, and will continue to experience, fluctuations in sales and operating results from period to period
- Our key managerial and technical personnel are critical to the success of our business and losing their services could adversely affect our business
- We have utilized and expect to continue utilize third-party contract manufacturers for the manufacturing of a portion of our products. If any of our contract manufacturers fail or are unwilling to meet our production criteria, quality or delivery requirements, our production plan may be adversely affected
- We may experience delays or defaults in collecting trade receivables from our customers, which may adversely affect our cash flow, working capital position, financial condition and operating results
- We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and reputation
- We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards
- We may be subject to civil and criminal liabilities for our defective products; also, we generally do not carry product liability insurance for our products, and any significant product liability claim could have a material and adverse effect on our financial condition
- We face significant competition in our business and our inability to compete effectively would be detrimental to our business and prospects for future growth
- We may fail to achieve or manage future growth and expansions
- We had negative operating cash flow for the six months ended 30 June 2010 and may not be able to generate sufficient cash from our operations or obtain adequate financing to fund our operations and capital requirements
- We recorded net current liabilities during the Track Record Period and we cannot assure you that we will not have net current liabilities again in the future
- We may require additional capital in the future, which may not be available or may only be available on unfavorable terms
- An unanticipated or prolonged interruption of operations at production facilities would have a material and adverse effect on our results of operations and financial condition
- We may experience labor shortage or unrest or incur high labor costs
- Failure to comply with applicable environmental regulations and standards could harm our business
- We have previously entered into bill financing transactions that were not in compliance with PRC laws
- Our non-compliance with certain social security and housing provident fund contribution regulations in the PRC could lead to the imposition of fines or penalties
- We may be required to seek alternative premises for some of our leased properties due to our landlords' lack of title certificates

Risks related to the PRC

- Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us
- The PRC's legal system embodies uncertainties that could adversely affect our business and results of operations
- Our Company may be subject to withholding tax on dividends received from PRC subsidiaries
- Gain on the sales of our Shares and dividends payables by us to our foreign [●] may be subject to withholding tax under the PRC income taxes
- Fluctuations in the exchange rates of the RMB may adversely affect [●] and could materially affect our financial condition and results of operations
- Government control of foreign currency conversion may affect the value of [●]
- It may be difficult to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them in the PRC judgments obtained from non-PRC courts
- An outbreak of Severe Acute Respiratory Syndrome (SARS), Avian Flu (H5N1), Influenza A (H1N1) or any other similar epidemic may, directly or indirectly, adversely affect our operating results and the price of our Shares
- Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our PRC operating subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner

Risk related to the statements made in this document

- Dividends declared in the past may not be indicative of our dividend policy in the future
- Mr. Chi Shaolin, our controlling shareholder, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions, and its interests may not be aligned with the interests of our other shareholders
- We cannot guarantee the accuracy of certain facts and statistics with respect to the PRC, the PRC economy and the consumer electronics industry contained in this document

DEFINITIONS

In this document, unless the context otherwise requires, the following terms have the following meanings.

"Allied Property"	ALLIED PROPERTY CAPITAL LIMITED, a limited liability company incorporated on 19 September 2007 in the British Virgin Islands and an investor of our Group
"Amphenol"	Amphenol — TFC (Changzhou) Communications Equipment Co., Ltd. (安費諾—泰姆斯（常州）通訊設備有限公司), one of our customers, an Independent Third Party
"Articles of Association" or "Articles"	the articles of association of our Company conditionally adopted pursuant to resolutions passed by our Shareholders in writing on 25 October 2010, amended from time to time
"Audit Committee"	the audit committee of the Board
"associate(s)"	has the meaning ascribed thereto under the relevant rules
"Board" or "Board of Directors"	the board of Directors
"Business Day"	any day (other than Saturday and Sunday) on which banks in Hong Kong are generally open for normal banking business
"BVI"	British Virgin Islands
"Cayman Islands Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands

"Changshu Cable"	Changshu Honglin Wire & Cable Co., Ltd. (常熟泓淋電線電纜有限公司), a sino-foreign joint venture incorporated in the PRC on 25 August 2006 with limited liability, which is a wholly-owned subsidiary of the Company
"China", "PRC" or the "People's Republic of China"	the People's Republic of China excluding, for the purpose of this document, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Changshu Connecting-Technology"	Changshu Honglin Connecting-Technology Co., Ltd. (常熟泓淋連接技術有限公司), a sino-foreign joint venture incorporated in the PRC on 1 March 2004 with limited liability, which is a wholly-owned subsidiary of the Company
"Changshu Electronic"	Changshu Honglin Electronic Co., Ltd. (常熟泓淋電子有限公司), a sino-foreign joint venture incorporated in the PRC on 10 June 2002 with limited liability, which is a wholly-owned subsidiary of the Company
"Changshu Huarui"	Changshu Huarui Precision Electronics Co., Ltd. (常熟華銳精密電子有限公司), a domestic enterprise incorporated in the PRC on 18 April 2009 with limited liability, which is owned as to 51% by Changshu Connecting-Technology and 49% by Mr. Cheng Guanghua
"Chenlin International"	CHENLIN INTERNATIONAL JOINT STOCK COMPANY LIMITED (晨淋國際股份有限公司), a limited liability company incorporated in the British Virgin Islands on 26 April 2007 and wholly owned by Mr. Chi
"Chenlin Trading"	CHENLIN INTERNATIONAL TRADING CO. (晨淋國際貿易公司), an unlimited company incorporated in Hong Kong on 20 July 2004 and wholly owned by Mr. Chi

DEFINITIONS

"Chongqing Technology"	Chongqing Honglin Technology Co., Ltd. (重慶市泓淋科技有限公司), a limited liability company incorporated in the PRC on 27 August 2010 which is a wholly-owned subsidiary of the Company
"Compal"	one of our customers, which includes Compal Electronics Inc. (仁寶電腦工業股份有限公司), Compal Electronic Technology (Kunshan) Co., Ltd. (仁寶電子科技（昆山）有限公司), Compal Information Industry (Kunshan) Co., Ltd. (仁寶資訊工業（昆山）有限公司) and Compal Information Technology (Kunshan) Co., Ltd. (仁寶信息科技（昆山）有限公司), each an Independent Third Party
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company" or "Our Company"	HL TECHNOLOGY GROUP LIMITED, a limited liability company incorporated in the Cayman Islands on 16 November 2007, and where the context otherwise requires, all of its subsidiaries and associated companies following completion of the Reorganization
"connected person(s)"	has the meaning ascribed to it under the relevant rules
"Controlling Shareholders"	has the meaning ascribed to it under the relevant rules and, in the context of this document, refers to Mr. Chi and Chenlin International
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the Chinese national securities market
"Deed of Non-Competition"	the deed of non-competition dated 25 October 2010 entered into between Mr. Chi, Chenlin International and the Company, as disclosed in the section headed "Appendix VI — Statutory and General Information"
"Deheng Law Firm"	Deheng Law Firm Beijing Office
"Dezhou Electronic"	Dezhou Honglin Electronic Co., Ltd. (德州泓淋電子有限公司), a sino-foreign joint venture incorporated in the PRC on 13 March 2006 with limited liability, which is a wholly-owned subsidiary of the Company

DEFINITIONS

"Dongguan Electronic"	Dongguan Honglin Electronic Co., Ltd. (東莞泓淋電子有限公司), a sino-foreign joint venture incorporated in the PRC on 11 June 2007 with limited liability, which was a wholly-owned subsidiary of the Company and has been disposed of as part of the Reorganization
"Director(s)"	the director(s) of our Company
"Eastman Kodak"	Eastman Kodak Company (伊士曼柯達公司), one of our customers, an Independent Third Party
"Exchange Act"	the U.S. Securities Exchange Act of 1934, as amended
"Group", "our Group", "our", "we" or "us"	our Company and its subsidiaries following completion of the Reorganization or, where the context so requires, in respect of the period before our Company became the holding company of our subsidiaries, Chenlin Trading and the subsidiaries of our Company prior to completion of the Reorganization or the businesses operated by such companies or (as the case may be) their predecessors
"Hisense"	Hisense Group (海信集團), one of our customers, an Independent Third Party
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HKS" and "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong

DEFINITIONS

"Hong Kong Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Honglin Technology"	Honglin Technology Co., Ltd. (泓淋科技有限公司), a limited liability company incorporated in Taiwan on 21 July 2010 which is a wholly-owned subsidiary of the Company
"Hongxin International"	HONGXIN INTERNATIONAL LIMITED, a limited liability company incorporated in Hong Kong on 22 February 2010 and wholly owned by the Company
"Hongxin Joint Stock"	HONGXIN JOINT STOCK COMPANY LIMITED (泓鑫股份有限公司), a limited liability company incorporated in the British Virgin Islands on 26 April 2007 holding an aggregate of 6,280,000 shares of US$0.10 each on trust for a total of 136 employees of our Group
"IFRS"	International Financial Reporting Standards promulgated by the International Accounting Standards Board ("IASB"). IFRS include the International Accounting Standards ("IAS") and their interpretations
"Independent Third Parties"	party(ies) which is/are independent of and not connected (within the meaning of the relevant rules) with any of Directors, chief executives or substantial shareholders (within the meaning of the relevant rules) of the Company or any of its subsidiaries or any of their respective associates

DEFINITIONS

"Innolux"	Innolux Display Corporation (奇美電子股份有限公司), one of our customers, an Independent Third Party
"Inventec"	Inventec Hi-tech Corporation (英源達科技有限公司), one of our customers, an Independent Third Party
"Korea"	the Republic of Korea
"Latest Practicable Date"	27 October 2010, being the latest practicable date for ascertaining certain information in this document before its publication
"LG"	one of our customers, which includes LG Electronics Nanjing Display Co., Ltd. (南京LG新港顯示有限公司), PT. YQ TEX Indonesia, LG Electronic De Sao Paulo Ltda and LG Electronic Co., Ltd., each an Independent Third Party
"LME"	London Metal Exchange

"Made In China"	MADE IN CHINA LTD., a limited liability company incorporated in the Cayman Islands on 2 August 2002 and an investor of our Group
"**Memorandum**"	the amended and restated memorandum of association of our Company adopted on 25 October 2010, as amended from time to time
"Ministry of Finance"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. Chi"	Mr. Chi Shaolin, an executive Director and Chairman of the Company and the Controlling Shareholder of the Company
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會), a macroeconomic management agency under the State Council, which studies and formulates policies for economic and social development maintenance or balances of economic aggregates and guides the overall economic system restructuring

"PBOC"	The People's Bank of China (中國人民銀行), the central bank of PRC
"PRC Company Law"	the Company Law of the PRC (中華人民共和國公司法), enacted by the Standing Committee of the Eighth National People's Congress on 29 December 1993 and effective on 1 July 1994, and subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005, as amended, supplemented or otherwise modified from time to time
"PRC Court"	means any court or arbitral tribunal of the PRC
"PRC EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), promulgated on 16 March 2007 by the National People's Congress and effective on 1 January 2008
"PRC government" or "State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"Protiviti"	Protiviti Shanghai Co., Ltd., an independent internal control advisor
"Qingdao Electronic"	Qingdao Honglin Electronic Co., Ltd. (青島泓淋電子有限公司), a sino-foreign joint venture incorporated in the PRC on 20 February 2004 with limited liability, which was merged with Weihai Electronic and de-registered on 6 December 2007
"Haier"	Qingdao Haier Parts Procurement Co., Ltd. (青島海爾零部件採購有限公司), one of our customers, an Independent Third Party

DEFINITIONS

"Qisda"	Qisda (Suzhou) Co., Ltd. (蘇州佳仕達電通有限公司), one of our customers, an Independent Third Party
"Quanta"	Quanta Shanghai Manufacturing City Tech-Front Computer Co., Ltd. (達豐（上海）電腦有限公司), an Independent Third Party
"Reorganization"	the reorganization undertaken by the Company in preparation for [●] as described in the section headed "History, Reorganization and Group Structure" in this document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Samford"	Samford Management Limited, a limited liability company incorporated in the British Virgin Islands on 6 April 2010 and an investor of our Group
"Samsung"	one of our customers, which includes Samsung Electronics (Shandong) Digital Printing Co., Ltd. (三星電子（山東）數碼打印機有限公司), Suzhou Electronics Samsung Computer (三星電子蘇州電腦有限公司), Samsung Electronics Display (M) SDN. BHD, Samsung Electronics Hungary, Samsung Electronics Co., Ltd. Digital Printing, Samsung Electronics Co., Ltd., PT. Samsung Electronics Indonesia, Thai Samsung Electronics Co., Ltd. and Samsung Mexican S.A. DE C.V., each an Independent Third Party
"SCGC Capital"	SCGC Capital Holding Company Limited, a limited liability company incorporated in the British Virgin Islands on 16 November 2006 and an investor of our Group
"SEC"	the U.S. Securities and Exchange Commission
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended and supplemented from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share Option Scheme"	the share option scheme conditionally adopted by us on 25 October 2010, the principal terms of which are

	summarized in the section headed "Share Option Scheme" in Appendix VI to this document
"Share(s)"	ordinary share(s) with a nominal value of US$0.02 each in our share capital
"Shenzhen Communication Technology"	Shenzhen Honglin Communication Technology Co., Ltd. (深圳市泓淋通訊科技有限公司), a domestic enterprise incorporated in the PRC on 5 November 2009 with limited liability, which is owned as to 80% by Changshu Cable and 20% by Ms. Yang Huahua
"SHFE"	Shanghai Futures Exchange (上海期貨交易所)
"State"	the central government of the PRC
"State Administration for Industry and Commerce"	the State Administration for Industry and Commerce of the PRC (中華人民共和國工商行政管理總局)
"State Administration of Foreign Exchange" or "SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"State Administration of Taxation" or "SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"State Environmental Protection Administration"	the State Environmental Protection Administration of China (中華人民共和國國家環境保護總局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)

DEFINITIONS

"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Subdivision"	the subdivision of the then issued and unissued shares of US$0.10 each in the share capital of the Company into five Shares of US$0.02 each pursuant to the shareholder resolution as referred to in the section entitled "Resolutions of our Shareholders" in Appendix VI to this document
"Subsidiary"	has the meaning ascribed thereto in section 2 of the Companies Ordinance
"Taiwan Investment Commission, MOEA"	the Taiwan Investment Commission, MOEA (台灣經濟部投資審議委員會)
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
"TPV Technology"	one of our customers, which includes TPV Technology (Beijing) Co., Ltd. (冠捷科技（北京）有限公司), TPV Display Technology Co., Ltd. (Wuhan) (冠捷（武漢）顯示科技有限公司), TPV Victory Electronics (Fujian) Co., Ltd. (冠捷電子（福建）有限公司), each an Independent Third Party
"Track Record Period"	the three financial years ended 31 December 2009 and six months ended 30 June 2010
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

DEFINITIONS

"US dollars" or "US$"	United States dollars, the lawful currency of the United States
"VAT"	value added tax
"Weihai Cable"	Weihai Honglin Wire & Cable Co., Ltd. (威海市泓淋電線電纜有限公司), a sino-foreign joint venture incorporated in the PRC on 30 July 2003 with limited liability, which is a wholly-owned subsidiary of the Company
"Weihai Electronic"	Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司), a wholly foreign owned limited liability company incorporated in the PRC on 27 November 1997 with limited liability, which is a wholly-owned subsidiary of the Company
"Weihai Plastic"	Weihai Honglin Plastic Co., Ltd. (威海市泓淋塑膠有限公司), a sino-foreign joint venture incorporated in the PRC on 30 December 2001 with limited liability, which was merged with Weihai Cable and de-registered on 28 June 2007
"Wistron"	Wistron Info.Comm (Zhongshan) Corporation (廣基科技（中山）有限公司), one of our customers, an Independent Third Party
"Wuhan Electronic"	Wuhan Honglin Electronic Co., Ltd. (武漢市泓淋電子有限公司), a sino-foreign joint venture incorporated in the PRC on 11 October 2005 with limited liability, which is a wholly-owned subsidiary of the Company
"Yongchang Joint Stock"	YONGCHANG JOINT STOCK COMPANY LIMITED (永昌股份有限公司), a limited liability company incorporated in the British Virgin Islands on 26 June 2009 holding an aggregate of 22,847,275 shares of US$0.10 each on trust for a total of 40 individuals
"Yujin"	Changshu Yujin Packing Material Co., Ltd. (常熟禹進包裝材料有限公司), a sino-foreign joint venture

	incorporated in the PRC on 27 July 2006 with limited liability, which is an associate of the Company and de-registered on 31 August 2010
"ZTE"	ZTE Corporation (中興通訊股份有限公司), one of our customers, an Independent Third Party

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this document as they relate to our Company and as they are used in this document in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

"AWG"	American wire gauge, a standardized wire gauge system for the diameters of round, solid, nonferrous and electrically conducting wire
"BSI"	British Standards Institution, an independent product safety testing and certification organization in the United Kingdom
"BSMI"	the Bureau of Standards, Metrology and Inspection, the authority responsible for standardization, metrology and product inspection in Taiwan.
"CCC"	China Compulsory Certification, a safety and quality mark for products sold in China
"CE"	European Conformity, a safety and quality mark for products sold in the European Union
"CSA"	Canadian Standards Association, an independent product safety testing and certification organization in Canada
"connector"	connecting elements and affiliated accessories used in electronic, electrical engineering, computer and communication products
"DC"	refers to direct current electricity
"Displayport"	a digital display interface standard put forth by the Video Electronics Standards Association (VESA), an international standards association for computer graphics since 2006. It defines a new royalty-free, digital audio/video interconnect, intended to be used primarily between a computer and its display monitor, or a computer and a home-theater system
"D SUB connector"	D-subminiature connector, also called VGA connector
"DVD"	digital versatile disc
"DVI"	digital visual interface, which is a video interface standard designed to provide very high visual quality on digital display devices such as flat panel LCD computer displays and digital projectors
"ERP"	enterprise resource planning — a software system that helps a manufacturer or other business manage the important parts of its business, including product planning, parts purchasing, maintaining inventories, interacting with suppliers, providing customer service and tracking orders

"FFC"	flexible flat cable, which is terminated either with connectors or soldered directly to the PCB. It can be folded by customers in any form to fit their application and is commonly used for digital products, LCD TV or printers
"Gbps"	data transmission capability for a serial interface channel meaning the number of bits that can be transferred in a second. It stands for "Gigabits per second"
"GC-MS"	gas chromatography and mass spectrometry, a testing equipment for analysis of the elements of plastic materials
"GOST"	Gosstandart of Russia, an independent testing and certification organization in Russia
"GPRS"	General Packet Radio Service, a standard for wireless communications
"HDMI"	high-definition multimedia interface, a compact audio/video interface for transmitting uncompressed digital data
"HDTV"	high-definition television
"ICP"	Inductively Coupled Plasma, a testing equipment for the contents of certain elements
"Internet of Things"	refers to the networked interconnection of everyday objects
"IRAM"	Instituto Argentina De Normalizacion, an independent testing and certification organization in Argentina
"ISO"	the International Organization for Standardization, a non-governmental organization which sets the ISO standards, being world-wide industrial and commercial standards
"ISO9001"	the international specification for a quality management system
"ISO14001"	the international specification for an environmental management system
"KC"	Korea Certificate, an independent testing and certification organization in Korea
"LCD"	liquid crystal display, a technology used for displays in notebook and PC
"LVDS"	low voltage differential signaling, a standard for signal transmission model
"PC"	personal computer

GLOSSARY OF TECHNICAL TERMS

"PCB"	printed circuit board, a flat plate or base of insulation material containing a pattern of conducting materials, which becomes an electrical circuit when components are attached and soldered to it
"PCMCIA"	the Personal Computer Memory Card International Association, an international standards organization that defines and promotes the PC Card (formerly known as "PCMCIA card") and ExpressCard standards
"PSB"	Productivity and Standards Board Corporation, an independent testing and certification organization in Singapore
"PSE"	Japanese Standard Symbol Mark, an independent testing and certification organization in Japan
"QC080000"	hazardous substance process management system requirements for the electrical & electronic components and products
"RF"	radio frequency, which refers to those frequencies of the electromagnetic spectrum normally associated with radio wave propagation
"RGB"	Red, green and blue electronic cables which are used in VGA
"SAA"	Standards Australia International Limited, an independent testing and certification organization in Australia
"SABS"	South African Bureau of Standards, an independent testing and certification organization in South Africa
"SATA"	Serial Advanced Technology Attachment, a new type of drive connection
"SII"	The Standards Institution of Israel, an independent testing and certification organization in Israel
"STQC"	Standardization Testing Quality Certification, an independent testing and certification organization in India
"TS16949"	technical specification for the quality management systems, which has the particular requirements for the application of ISO 9001:2008 for automotive production and relevant service organizations
"UC"	Uniao Certificadora, an independent testing and certification organization in Brazil

GLOSSARY OF TECHNICAL TERMS

"UL"	Underwriters Laboratories, Inc., an independent product safety testing and certification organization in the United States
"USB"	universal serial bus, which is a "plug and play" interface between a computer and peripherals
"UV-VIS"	ultraviolet-visible spectroscopy, a testing equipment
"VGA"	Video Graphics Array, a video display standard for color monitors
"WI-FI"	wireless fidelity, a type of WLAN
"WIMAX"	worldwide interoperability for microwave access, a standard for fixed broadband wireless metropolitan access networks that use point-to-multipoint architecture
"WLAN"	wireless local area networks

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Our business, results of operations and financial condition are adversely affected by economic cycles, including the recent global financial and economic crisis.

Our business is highly correlated with the trend and development of the global consumer electronics industry, including primarily the computers, notebooks, mobile handsets and TVs sectors. The demand for our products relies on the market condition of these sectors which might fluctuate over time. Should the global demand for the products in these sectors fall as a result of adverse economic cycles, the demand for our products may also fall, which would adversely affect our profitability, results of operations and financial condition. Since the second half of 2008, the global financial system has experienced significant difficulties and disruptions, leading to reduced liquidity, greater volatility, widened credit spreads and a lack of price transparency in the global credit and financial markets. The difficulties in the global credit and financial markets have also resulted in a widening global economic crisis. The slowdown experienced in the economies of the United States, the European Union and certain Asian countries adversely affected the markets for our products, including primarily the consumer electronics industry sectors.

As a result of the economic stimulus measures implemented by governments of various countries, there have been significant improvements in the overall global economy and the economies of the United States, China and certain other Asian countries. However, there are significant uncertainties and risks that may adversely affect the continued recovery of the global economy. For example, the recent fiscal difficulties experienced by Greece and certain other countries may slow down the growth of the economy of the European Union and other regions, which could have a material and adverse effect on the global economy. Therefore, there is no assurance that the global economy will continue to grow at a stable pace or at all, or will not experience a recession in the future. If the global economy grows at a lower than expected rate or experiences a recession in the future, demand for our products will decrease and our business, results of operations and financial condition would be materially and adversely affected.

We rely upon a number of major customers for a substantial portion of our revenues.

We derive a substantial portion of our business from a number of major customers. During the Track Record Period, a total of seven customers constituted our top five customers. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our five largest customers accounted for 56.2%, 44.9%, 41.5% and 39.4% of our revenues, respectively, while the largest customer accounted for 25.3%, 19.6%, 16.6% and 13.0% of our revenues, respectively, for the same periods. The concentration of our sales among a number of major customers exposes us to a variety of risks that could have a material adverse impact on our revenues and profitability, including reductions in a single major customer's demand for our products or loss of a single major customer's business could result in a significant decrease in our revenues. Also, any fluctuations in demand from our major customers could negatively affect our business, results of operations and financial condition.

Our customers primarily place purchase orders with us based on their production needs. While we typically enter into framework sales agreements with our customers, such sales agreements generally have an initial term of not exceeding three years and can be terminated in a short or with no prior notice. As a result, our business and revenues may be materially adversely affected if one or more of our major or other customers:

- do not submit additional purchase orders;
- do not enter into new agreements with us; or
- elect to terminate their relationship with us.

We may not be able to develop, manufacture and introduce new and technologically enhanced products that meet our customers' requirements consistently.

The markets for our products are characterized by rapid changes caused by the frequent emergence of new technologies. This requires us to anticipate and respond rapidly to changes in industry standards and customer needs and to develop, manufacture and introduce new and enhanced products on a timely and cost effective basis. Failure to anticipate and respond to customers' changing needs and emerging technological trends in a timely manner and accurately and to develop, manufacture and introduce products that meet the evolving needs of our customers could adversely affect the relationship with our customers, thus resulting in our loss of market share and will significantly harm our business, results of operations and financial condition.

The selling prices of a number of our products may decrease over time. If we cannot supplement our product portfolio with new products that have higher selling prices or lower the production costs of our products, our revenues and gross margins will decline.

The selling prices of many of our old products generally decrease over time. We face significant competition in terms of product prices and we often are required by our customers to lower the selling prices of a number of our products as such customers seek to reduce costs in order to offset the declined selling prices of their products. As a result, we must continually explore ways to reduce our manufacturing costs and develop new products which may be sold at a higher selling price. If we fail to achieve these goals, our revenues and gross margins may be adversely affected as a result.

Our products are required to meet industry technical standards or governmental safety requirements and our customers place significant emphasis on product quality and reliability in selecting their suppliers. As a result, if our products experience quality deficiency issues, our business, results of operations and financial condition could be materially and adversely affected.

Our business depends on delivering products of consistently high quality. Many of our products are subject to industry technical standards, including, for example, the specifications and standards set by USB Implementer Forum, Inc. that are applicable to our USB assembly products, and we are also required to meet product safety and other requirements imposed by the relevant government authorities in countries that our products or the end-products of our customers are sold to. Moreover, our customers place significant emphasis on product quality and reliability in selecting us as their supplier.

To ensure high quality standards, our products are inspected and tested for quality by our quality control personnel in accordance with our internal procedures. There is no assurance that our quality inspection and testing procedures may be effectively complied with at all times. Failure to comply with such quality inspection and testing procedures by our employees could result in faulty or defective products being delivered to our customers. In addition, our quality testing procedures may not be always sufficient. Our quality testing procedures are generally designed to evaluate product performance under likely and foreseeable failure scenarios. As a result of the occurrence of unforeseeable performance problems, our products may fail to perform. Furthermore, any changes in the relevant industry technical standards or governmental safety requirements will affect our sales if our products do not meet such new standards or requirements. There is no assurance that such problems will not occur in the future. Significant quality, defects of our products may result in damages of our reputation and loss of customers and future sales as well as subject us to potential compensation claims by affected customers.

If our inventories become obsolete, our future performance and operating results will be adversely affected.

Rapid technological developments, changes in industry standards and emergence of new or substitute products in our industry and the markets for our products will render our products and inventories obsolete. Our products and inventories may also become obsolete as a result of adverse changes in end market demands. If we fail to effectively manage our production and inventory levels or otherwise have significant levels of obsolete or excessive inventories, our business, results of operations and financial condition could be materially and adversely affected.

If we fail to effectively implement our production plan, our results of operations may be materially and adversely affected.

We plan our production primarily based on our projection and orders received from our customers. However, we cannot guarantee that our internal projections of demand for our products are accurate. If our projections for orders are inaccurate, we may build up inventories of our products in excess of actual demand. If we fail to effectively implement our production plan during any particular period, our results of operations for that period may be materially and adversely affected.

Our failure to acquire raw materials or to fill our customers' orders in a timely and cost-effective manner could materially and adversely affect our business operations.

We rely on third-party suppliers to meet our raw material requirements. The principal types of raw materials in the manufacturing of our products consist of copper materials (copper rods and copperplates), plastic materials, iron materials and various other consumables. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, purchases from our five largest raw material suppliers together accounted for approximately 42.1%, 36.0%, 32.4% and 39.4% of our total purchases of raw materials, respectively, while the largest raw material supplier accounted for approximately 12.6%, 9.6%, 14.9% and 18.4% of our total purchases of raw materials, respectively. If any of our major suppliers is unable to deliver raw materials according to such schedule or in such volume as is required for our production, and we fail to purchase from other suppliers in a timely and cost-effective manner, our manufacture and delivery of products required by our customers could be delayed. In addition, we may sometimes need to purchase raw materials, components and other supplies in the market at higher prices to meet our production deadlines if the delivery of the raw materials and components that we ordered is delayed. Our relationships with our customers could be adversely affected as a result of any of such delays or increases of our selling price due to an increase in purchase prices of raw materials and other supplies, which may materially and adversely affect our business operations.

Significant fluctuations in the prices of our major raw materials could adversely affect our business, results of operations and financial condition.

Some of our raw materials, such as copper materials, are subject to significant price volatility as a result of changes in levels of global demand, supply disruptions and other factors. In particular, copper materials, which constitute a large portion of our raw material requirements, are considered as commodities and the supply prices for the copper we purchase are generally determined based on the future prices on the SHFE or the LME. As a result, we are subject to a significant commodity price risk associated with copper. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the average monthly price of our copper materials was approximately RMB56,320, RMB52,290, RMB33,960 and RMB49,460 per tonne, respectively. We have managed such price risk primarily through matching of the purchase prices for our copper materials with the price terms of our customers purchase orders. In the event that any of our customers require a fixed cost for copper materials in their purchase orders, we will try to hedge against the related copper price risk exposure through entering into derivative transactions, including primarily copper futures contracts. We cannot assure you that we will be able to effectively manage the copper price risk at all times. If there is a significant increase in the prices of copper, plastic materials and other raw materials that we require for our production, such increase is not sufficiently hedged or controlled by us, and we are not able to shift such corresponding price increase to our customers in a timely manner, our business, results of operations and financial condition could be materially and adversely affected as a result.

We generate a significant amount of international sales. Conducting business in international markets involves risks and uncertainties such as foreign exchange rate exposure and political and economic instability that could lead to reduced international sales and reduced profitability associated with such sales.

We generate a significant amount of international sales, which principally consist of our sales to customers located outside of China, such as Korea, Hong Kong, Taiwan and Japan. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our international sales were approximately RMB177.8 million, RMB261.2 million, RMB229.3 million and RMB127.6 million, respectively. We anticipate that international sales will continue to represent a significant portion of our total sales. In particular, with the approval of the Taiwan Investment Commission, MOEA, we have recently established a subsidiary in Taiwan and we intend to further expand the sales and distribution of our products in the international market. As a result, we are subject to a variety of risks and uncertainties associated with international businesses, including:

- foreign exchange rate exposures;
- political and economic instabilities (such as those affecting the cross-strait relationships between the PRC and Taiwan);
- tariffs and other trade barriers;

- longer customer payment cycles and foreign taxes;
- compliance with local laws and industry standards;
- unfamiliar legal systems;
- reduced protection of intellectual property rights in some countries;
- cultural and language differences; and
- difficulty in managing relationship with foreign customers.

We believe that international risks and uncertainties could lead to reduced international sales and reduced profitability associated with such sales, which would reduce our overall sales and profits.

We have experienced, and will continue to experience, fluctuations in sales and operating results from period to period.

The markets for our products, including primarily the consumer electronics industry, are highly cyclical and, as a result, demand of our customers for our products fluctuates from period and period. A significant downturn in any of the markets for our products will result in a decrease in demand of our customers in that market for our products, which could materially and adversely affect our business, results of operations and financial condition. For example, due to the global economic downturn in the second half of 2008, our customers in the global consumer electronics industry generally experienced significant reductions in production later that year, which in turn resulted in a sudden decrease in customer purchaser orders to us in the fourth quarter of 2008. Based on our internal data, the average quarterly amount of customer purchase orders in the fourth quarter of 2008 witnessed a decrease of 30.5% as compared to the average quarterly amount for the first three quarters in 2008. As a result, our operating results and financial performance were adversely affected.

Our results of operations may also fluctuate from period to period due to a number of additional factors, including:

- the lack of obligations by our customers to purchase the products that we produce according to our projection of customers' orders;
- variations in the timing, cancellation or rescheduling of customer orders and shipments;
- high fixed costs that may lead to an increase in operating expenses, especially during a period with a sales shortfall;
- changes in product mix;
- delay in the introduction of our new products and longer than anticipated sales cycles for our products;
- lower than anticipated demand of our certain products due to failure of our customers' products to gain widespread commercial acceptance;
- seasonality of our customers' orders as we generally receive more orders in the second half of each year mainly due to the increase in our customers' production for the sales season before Christmas. For example, for the year ended 31 December 2009, 42.0% and 58.0% of our total revenue was recognized in the first half and second half of 2009, respectively, with May to July contributing on average 7.2% as compared to a monthly average of 8.3% in 2009; and

- declining average sales prices.

Due to the foregoing and other factors, we may experience significant fluctuations in sales and operating results from period to period. Future revenues and operating results may not meet the expectations of public market analysts [●] and this could result in a material adverse effect on our share price.

Our key managerial and technical personnel are critical to the success of our business and losing their services could adversely affect our business.

We depend, to a significant extent, on the efforts and abilities of our Directors and senior management, particularly Mr. Chi and our other executive Directors set forth in the section headed "Directors, Senior Management and Staff — Board of Directors", and other senior technicians for our future growth and success, as they have contributed their in-depth industry experience and technical knowledge to us. Specifically,

- Mr. Chi, our Chairman and Chief Executive Officer, has been instrumental in the formulation and execution of our business and expansion strategies and his forward-looking growth strategies and management concepts are essential to our rapid growth in recent years.
- Mr. Jiang Taike, our Vice Chief Executive Officer, has assisted Mr. Chi in formulating and executing our overall business and expansion plans, in particular, regarding the development of our wire & cable business.
- Mr. Li Jianming, our Chief Financial Officer, has contributed significantly to the development and improvement of our financial management and internal control systems.
- In addition, each of Mr. Tseng Chih-ming, Mr. Sui Shikai, Mr. Mao Wanjun, Mr. Kang Jin Won and Mr. Tan Zhen has played a critical role in the development of our key operating subsidiaries and/or product types.

We believe that our Directors and members of our senior management team are also critical to develop and maintain relationships with many of our key customers. In addition, we are dependent on other qualified managerial marketing personnel and technicians for our manufacturing, marketing, sales, and research and development operations. Competition for qualified personnel is intense in our industry within China. If we lose the services of our key managerial and technical personnel or fail to attract and retain additional qualified managerial, technical and marketing personnel, our business could be adversely affected.

We have utilized and expect to continue utilize third-party contract manufacturers for the manufacturing of a portion of our products. If any of our contract manufacturers fail or are unwilling to meet our production criteria, quality or delivery requirements, our production plan may be adversely affected.

Since 2006, we have outsourced the manufacturing of a portion of our cable assembly products to selected third-party contract manufacturers primarily in Shandong Province. We intend to outsource an increasing number of our products, in particular, products that we consider to be highly labor intensive and of less stringent technical requirements, to selected third-party contract manufacturers in the future so as to reduce our capital expenditures on production facilities and the costs and efforts associated with maintaining a large number of production personnel. Outsourcing costs during the Track Record Period amounted to approximately RMB8.3 million, RMB16.9 million, RMB33.2 million and RMB29.4 million respectively. As a result, we are subject to a number of risks associated with the utilization of third-party contract manufacturers, including their failure or unwillingness to meet our production criteria, quality or delivery requirements. If any of these risks materialize, our production plan for a particular period may be adversely affected.

We may experience delays or defaults in collecting trade receivables from our customers, which may adversely affect our cash flow, working capital position, financial condition and operating results.

We recorded a significant amount of trade and other receivables at the end of each reporting period during the Track Record Period. As of 31 December 2007, 2008 and 2009 and 30 June 2010, our trade and other receivables amounted to approximately RMB241.3 million, RMB338.8 million, RMB423.5 million and RMB592.5 million, respectively, representing approximately 57.5%, 66.1%, 64.7% and 66.3% of our total current assets as at the respective balance dates. As of 30 September 2010, approximately RMB295.3 million of the RMB408.2 million trade receivables outstanding as of 30 June 2010 had been settled. In the event of any further delays or if any material portion of such trade and note receivables becomes bad debts and cannot be collected by us, our cash flow, working capital position, financial condition and operating results may be materially and adversely affected.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and reputation.

We rely on a combination of patent, trademark and trade secret-related laws as well as nondisclosure agreements and other methods to protect our intellectual property rights. It could be difficult and expensive to police unauthorized use of intellectual property. The steps we have taken may be inadequate to prevent misappropriation of our technologies, trademarks, trade names or other intellectual property. Our inability to prevent others from unauthorized use of our intellectual property could harm our business, reputation and competitive positions. Also, we may have to enforce our intellectual property rights through litigation. Such potential litigation may result in substantial costs and diversion of resources and management attention.

We may be exposed to infringement or misappropriation claims by third parties, which, if determined adversely to us, could cause us to pay significant damage awards.

Our success depends largely on our ability to use and develop our technology and know how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to the design and other technologies for our products involve complex scientific, legal and factual questions and analysis and, therefore, the validity and scope of our technology, know how and other intellectual property may be highly uncertain. Our competitors may bring intellectual property infringement claims against us for the purposes of gaining competitive advantages over us. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time-consuming and may significantly divert the efforts and resources of our technical and management personnel. If any claim is adversely determined against us in any of such potential litigation or proceedings, we could be subject to significant liability to third parties. As a result, we may be required to seek licenses from third parties, pay ongoing royalties and also redesign our products. We could further be subject to injunctions prohibiting the manufacture and sale of our products or the use of our technologies. Protracted litigation could also result in our existing or potential customers deferring or limiting their purchase or use of our products until resolution of such litigation.

We may be subject to civil and criminal liabilities for our defective products; also, we generally do not carry product liability insurance for our products, and any significant product liability claim could have a material and adverse effect on our financial condition.

Manufacturers and sellers of defective products in the PRC may be liable for loss and injury caused by such products. According to the principal laws and regulations governing this area, such as the General Principles of the Civil Law of the PRC, where a sub-standard product causes property damage or physical injury to any person, the manufacturer or seller of such sub-standard product may be subject to civil liabilities for such damage or injury. In addition, under the Product Quality Law, manufacturers are responsible for the quality of the products they produce, the products must meet certain minimum standards and manufacturers producing defective products may be liable for criminal liability and have its business licensees revoked.

We generally do not carry product liability insurance for our products, business interruption insurance, third-party liability insurance for personal injuries. While there have not been any complaints or claims against us for losses or injuries due to defective products during the Track Record Period, there is no assurance that we will not receive any complaints or claims against us pursuant to, including but not limited to, any of the above-mentioned laws in the future, which may adversely affect our reputation and the operation of our Group. We may also be liable for loss and injury due to defective products sold in other jurisdictions outside the PRC, which may adversely affect our financial condition and results of operations.

We face significant competition in our business and our inability to compete effectively would be detrimental to our business and prospects for future growth.

We face significant competition in our business. Our industry and markets for our products, including, among others, the consumer electronics industry, are characterized by factors such as rapid technological change and new product development, rapid product obsolescence, evolving industry standards and significant price erosion over the life of a product. We primarily compete on the following bases:

- product functionality, quality and reliability;
- design, technical and manufacturing capabilities;
- ability to meet customers' delivery schedules;
- customer relationships and services; and
- product price.

There can be no assurance that we will maintain our competitiveness in any of these areas with respect to any of our products. Also, as we plan to expand our product offerings to launch such new products as antennas, automotive wiring harness, specialty power cables and solar connectors, we expect to face strong competition from many established players in the markets for these products. Many of our existing and potential competitors may have significantly greater financial, manufacturing, sales, marketing and other resources than we have. If we fail to compete effectively in the future, our business and prospects for future growth would be materially and adversely affected.

We may fail to achieve or manage future growth and expansions.

We have experienced significant business growth and expansion in the past few years. We plan to further strengthen our sales and marketing operations and our research and development capabilities and to upgrade or expand our existing production facilities. However, there are significant risks and uncertainties involved in such expansion plans, including, among others, lack of financial resources, inability to implement and execute the expansion plans in a timely and cost-effective manner, cost overruns and failure to achieve the anticipated benefits. We may also make other acquisitions or equity investments in the future if suitable opportunities arise. Acquisitions or significant equity investments involve a variety of risks and uncertainties, including, among others:

- potential ongoing financial obligations and unforeseen or hidden liabilities;
- failure to achieve the intended objective or benefits;
- costs and difficulties of integrating acquired businesses and managing the expanded operations; and
- diversion of resources and management attention.

If we fail to address the foregoing risks and uncertainties associated with our future acquisitions, equity investments and other expansion plans, our business, results of operations and financial condition could be materially and adversely affected.

We had negative operating cash flow for the six months ended 30 June 2010 and may not be able to generate sufficient cash from our operations or obtain adequate financing to fund our operations and capital requirements.

We have funded our operations and capital requirements from cash generated from our operations, trade credit from our suppliers and short-term bank borrowings. We expect to continue to derive our funding from cash generated from our operations and bank and other borrowings. For the years ended 31 December 2007, 2008 and 2009, we recorded a net cash inflow from operating activities of RMB10.8 million, RMB1.7 million and RMB0.5 million, respectively, while we recorded a net cash outflow from operating activities of RMB144.1 million for the six months ended 30 June 2010. Please refer to the subsection headed "Liquidity and Capital Resources" in the section headed "Financial Information" to this document for further details.

Our ability to generate sufficient cash from our operating activities to finance our operations and expansion plans depends on a number of factors, including but not limited to the performance of our operations, inventory purchases and the ability of our customers to settle their payments. If we continue to have a negative operating cash flow in the future, our Group may not be able to generate sufficient funding to finance our working capital and capital expenditure requirements, and our business, results of operations and financial position may be materially and adversely affected.

We recorded net current liabilities during the Track Record Period and we cannot assure you that we will not have net current liabilities again in the future.

We recorded net current liabilities of approximately RMB41.1 million, RMB69.5 million and RMB7.9 million as of 31 December 2007, 2008 and 2009, respectively, primarily due to outstanding amounts of trade and other payables and short-term bank borrowings as at the end of the relevant reporting periods, which were primarily related to the procurement of raw materials and supplies for our production. See "Financial Information — Liquidity and Capital Resources — Net Current Assets/ Liabilities". We cannot assure you that we will not have net current liabilities as of the end of any relevant reporting periods in the future. In the event that we have such net current liabilities in the future, our working capital and liquidity position may be materially and adversely affected, which in turn could have a significant adverse impact on our business and growth prospects.

We may require additional capital in the future, which may not be available or may only be available on unfavorable terms.

Our manufacturing facilities are highly capital-intensive to construct and maintain. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our capital expenditures amounted to RMB107.7 million, RMB105.2 million, RMB72.2 million and RMB63.2 million, respectively, which were primarily used to increase our production capacity and purchase machineries. Our future capital requirements may be substantial as we seek to expand our operations, including pursuing acquisitions and significant equity investments. There is no assurance that we will have adequate internal and external resources to fund our future capital requirements, and we may from time to time need to raise additional funds to meet such capital requirements. However, any equity or debt financing, if available at all, may be on terms that are not favorable to us. A large amount of bank borrowings and other debt may result in a significant increase in interest expenses while at the same time exposing us to increased interest rate risks. Equity financings could result in dilution to our shareholders, and the securities issued in future financings may have rights, preferences and privileges that are senior to those of our Shares. If we fail to obtain necessary funding on acceptable terms or at all, we may be forced to delay capital investment projects, research and development activities, potential acquisitions and investments or otherwise curtail or cease operations.

An unanticipated or prolonged interruption of operations at production facilities would have a material and adverse effect on our results of operations and financial condition.

Our business is dependent on the continued and uninterrupted performance of our production facilities. However, these facilities are subject to operating risks, including equipment failures, failures to comply with applicable regulations, disruptions in power supply, industrial accidents, labor shortages, strike, fire, earthquake or other natural calamities, and acts of sabotage. If any unanticipated or prolonged interruption of operations at any of our production facilities occurs as a result of any of the foregoing or other risks or factors, we may not be able to deliver our products to our customers in a timely manner or at all. Consequently, our business reputation and customer relationship may be damaged, we may be subject to compensation claims from customers and our ability to attract new businesses may be adversely affected.

We may experience labor shortage or unrest or incur high labor costs.

Some of our production processes, such as assembly of parts and components, are labor intensive. In addition to recruiting workers on our own, we also use the contract workers provided by third party service providers. During recent years, labor shortages have frequently occurred in some areas in China, in particular, Guangdong Province. While we have not experienced any significant labor shortages in the past, we cannot assure you that we will not face such problems in the future. In addition, as a result of changes in the labor market conditions or industry practices or otherwise, we may be required to increase the wages for our workers. For example, in the aftermath of labor unrest, some manufacturing companies based in China recently significantly increased wages for their employees. We have not been subject to similar or other labor unrest and have not witnessed or expect such demand for pay raise from our employees or contract workers as a direct result of labor unrest that occurred at other manufacturing companies. We expect the pay levels of our employees and contract workers will continue to be determined according to prevailing market wage rate in relevant locations as well as performance of such employees and contract workers for the foreseeable future in order for us to remain competitive. However, we cannot assure you that we will not face labor unrest or we will not raise wages for our employees and contract workers whether due to labor unrest at our Group or as a result of the pay raise of other manufacturing companies in China in response to labor unrest related to them. Labor unrest will disrupt our production and the higher wages will result in increased labor costs for us. If we cannot increase our product prices to offset the additional labor costs in a timely manner or in a sufficient amount or if we experience labor shortage or labor unrest, our business, results of operations and financial conditions will be adversely affected.

Failure to comply with applicable environmental regulations and standards could harm our business.

We are required to comply with various environmental laws and regulations in the PRC, including those requiring that the design and construction of our plants meet with the specified environmental protection standards. Our production operations are also subject to periodic monitoring by the State Environmental Protection Administration of the PRC and the relevant local government environmental protection authorities. In addition, our products must also meet the environmental protection and safety standards of other jurisdictions, including the directive on the toxic and hazardous substances, or RoHS, issued by the European Union in 2003 to exercise control over the toxic and hazardous materials used in certain electronic products. There is no assurance that noncompliance incident in this area will not occur in the future. Moreover, if more stringent environmental protection laws and regulations and standards are introduced, we may need to utilize significant financial resources to ensure compliance, which will result in an increase in our operating costs and have an adverse effect on our profitability.

We have previously entered into bill financing transactions that were not in compliance with PRC laws.

From July 2005 to June 2009, we obtained funding for our business operations through issuing bank acceptance notes that were within the credit limits stipulated by the endorsing banks and supported by the initial deposits by us, but were used for purposes other than the payment for the purchases from relevant suppliers. See "Business — Non-compliant Bill Financing." Our PRC legal advisor, Deheng Law Firm, has advised us that such bill financing arrangements were not in compliance with PRC laws. We ceased entering into non-compliant bill financing transactions in June 2009 and all bank acceptance notes involved in such non-compliant bill financing were fully settled by December 2009. We have formulated and implemented a series of measures to ensure that such non-compliant bill financing arrangements will not occur in the future. Even though we have received confirmation from endorsing banks and relevant governmental authorities, there is no assurance that the relevant regulatory authorities will not decide to penalize us for such actions in the future. Any such penalties may materially and adversely harm our business and cash flow.

Our non-compliance with certain social security and housing provident fund contribution regulations in the PRC could lead to the imposition of fines or penalties.

We have not paid, or have not been able to pay, certain past social security and housing provident fund contributions for and on behalf of our employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC, different levels of acceptance of the social security system by employees, as well as insufficient knowledge on our part of the social security system. By June 2010, we completed registration applications for the payment of social insurance and housing fund contributions with the relevant PRC authorities and have commenced payments of social insurance and housing fund contributions in respect of all eligible employees starting from June 2010. We have made an outstanding provision of approximately RMB5.4 million in respect of the overdue social insurance and housing fund contributions for the Track Record Period. For details, please refer to "Business — Employees".

As advised by our PRC legal advisor, Deheng Law Firm, we may be ordered to pay outstanding social insurance and housing fund contributions within a stipulated deadline by the relevant PRC authorities. Any judgment or decision against us in respect of outstanding social insurance and/or housing fund contributions could have an adverse effect on our reputation and cash flow.

We may be required to seek alternative premises for some of our leased properties due to our landlords' lack of title certificates.

As of the Latest Practicable Date, certain building ownership certificates in respect of a total floor area of 11,677 sq.m. of the four properties leased by us in Weihai, Wuhan and Shenzhen had not yet been provided by the relevant landlords to prove their ownership titles or rights to these properties as required under the relevant PRC laws and regulations. As a result, we may be required to cease our occupation and usage of the above properties. In the case of such an event, we will be required to relocate and we may incur additional costs relating to such relocation, as well as business interruption. In addition, we may not be able to find suitable alternative premises for our operation and our business may be adversely affected if we relocate to a less desirable location.

RISKS RELATED TO THE PRC

Changes in the PRC's political, economic and social conditions, laws, regulations and policies may have an adverse effect on us.

The economy of the PRC differs from the economies of most developed countries in many respects, including:

- structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. For the past three decades, the PRC government has implemented economic reform measures emphasizing utilization of market forces in the development of the PRC economy. In addition, the PRC government continues to play a significant role in regulating industries by imposing industrial policies. Despite the implementation of such reforms, we cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies will have any adverse effect on our current or future business, results of operations or financial condition.

The PRC's legal system embodies uncertainties that could adversely affect our business and results of operations.

As substantially all of our operations are conducted and substantially all of our assets are located in China, our operations are generally affected by and subject to the PRC legal system and PRC laws and regulations. Since 1979, many new laws and regulations covering general economic matters have been promulgated in China. Despite this activity to develop the legal system, China's system of laws is not yet complete. Even where adequate law exists in China, the enforcement of existing laws or contracts based on existing law may be uncertain or sporadic, and it may be difficult to obtain swift and equitable enforcement or to obtain enforcement of a judgment by a court of another jurisdiction. The PRC legal system is based on written statutes and their interpretation, and prior court decisions may be cited for reference but have limited weight as precedents. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of any litigation. In addition, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes.

Our Company may be subject to withholding tax on dividends received from PRC subsidiaries.

We were incorporated in the Cayman Islands, and substantially all of our income will come from dividends that we receive from our PRC subsidiaries. Before the PRC EIT Law came into effect, dividends derived from our business operations in the PRC were not subject to income tax under PRC law. Under the PRC EIT Law, dividends payable to foreign investors that are "derived from sources within the PRC" may be subject to income tax at the rate of 10% by way of withholding, unless otherwise reduced by PRC laws, rules and regulations or through agreements between the PRC Government and the government of other countries or regions. Under PRC EIT Law, equity investment income from sources within the PRC or a foreign territory, such as dividends and bonuses, will be recognized by reference to the locations in which the enterprises that distributed the dividends and bonuses are located. As a result, dividends payable to our foreign investors may be deemed as income derived from sources within the PRC.

Gain on the sales of our Shares and dividends payables by us to our foreign investors may be subject to withholding tax under the PRC income taxes.

Under the PRC EIT Law, a PRC income tax at the rate of 10% is applicable to dividends payable to enterprise investors that are non-resident enterprises to the extent such dividends have their sources within the PRC. Similarly, any gain realized on the transfer of shares by such investors is also subject to a 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If we are considered a PRC resident enterprise by virtue of having our de facto management in the PRC, it is unclear whether the dividends we pay with respect to our Shares, or the gain you may realize from the sale of our Shares, would be treated as income derived from sources within the PRC and therefore become subject to the PRC EIT Law. If we are required under the PRC EIT Law to withhold PRC enterprise income tax on our dividends payable to our foreign Shareholders, or if you are required to pay PRC enterprise income tax on the transfer of your Shares, the value of your investment in our Shares may be materially and adversely affected.

Fluctuations in the exchange rates of the RMB may adversely affect [●] and could materially affect our financial condition and results of operations.

The exchange rates between the RMB and the Hong Kong dollar, the U.S. dollar, the Taiwan dollars and other foreign currencies is affected by, among other things, changes in the PRC's political and economic conditions. In 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under that policy, the RMB is pegged against a basket of currencies, determined by the People's Bank of China, against which it can rise or fall by as much as 0.5% each day. In late June 2010, the PBOC announced that it has decided to proceed further with reform of the RMB exchange rate regime and to enhance the RMB exchange rate flexibility. This signals that there may be additional policy changes relating to the RMB exchange rate regime.

There remains significant international pressure on the PRC government to adopt a more flexible policy, which could result in a further appreciation of the RMB against the U.S. dollar, the Hong Kong dollar, the Taiwan dollars or other foreign currency. As we rely on dividends paid to us by our operating subsidiaries, any significant revaluation of the RMB may have a material adverse effect on the value of dividends payable in foreign currency terms, and to the extent that we need to convert the proceeds from the [●] future financing into the RMB for our operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the RMB amount we receive from the conversion.

As of 30 June 2010, we had U.S. dollar and Taiwan dollar-denominated monetary assets in the amounts of RMB270.7 million and RMB14.9 million, respectively, and U.S. dollar-denominated monetary liabilities in the amount of RMB212.6 million. See "Financial Information — Market Risks — Currency Risk". Moreover, following the completion of the [●] we expect a significant portion of our cash and cash equivalents to be denominated in foreign currencies. As our functional currency is RMB, such foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the RMB against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the RMB against these foreign currencies may result in significant exchange losses.

Furthermore, any appreciation of RMB increases our cost of production, and any devaluation of RMB may adversely affect the value of our net assets in foreign currency terms. As we expect to continue to derive a significant portion of our future sales from overseas, any appreciation of RMB could give rise of uncertainties in our financial condition and results of operations.

Government control of foreign currency conversion may affect the value of [●].

The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive a substantial portion of our revenues in RMB. Under our current group structure, our Company's income is primarily derived from dividend payments from our subsidiaries in the PRC. Shortages in the availability of foreign currency may restrict the ability of our subsidiaries in the PRC to remit sufficient foreign currency to pay dividends or other payments to our Company, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of certain current account items can be made in foreign currencies without prior approval from the local branch of the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of bank loans denominated in foreign currencies. The restrictions on foreign exchange transactions under capital accounts could also affect the ability of our subsidiaries in the PRC to obtain foreign exchange through debt or equity financing, including by means of loans or capital contribution from us. The PRC Government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy the currency demands, our Company may not be able to pay dividends in foreign currencies to the Shareholders.

It may be difficult to effect service of process upon us or our Directors who live in the PRC or to enforce against us or them in the PRC judgments obtained from non-PRC courts.

Our Company is incorporated in the Cayman Islands. Substantially all of our Directors are residents of the PRC. Our Company is a holding company, and a substantial proportion of the assets of our operating subsidiaries and most of their directors are located within the PRC. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts.

The PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United Kingdom, the United States or most other developed countries. In addition, Hong Kong has no arrangement with the United States for reciprocal enforcement of judgment. Accordingly, it may be difficult to secure recognition and enforcement in the PRC for court judgments obtained in other jurisdictions and to access our assets in China in order to enforce judgment awards entered against us outside of China. Therefore, it may be difficult for you to enforce against us, or our Directors in the PRC, any judgments obtained from non-PRC courts.

An outbreak of Severe Acute Respiratory Syndrome (SARS), Avian Flu (H5N1), Influenza A (H1N1) or any other similar epidemic may, directly or indirectly, adversely affect our operating results and the price of our Shares.

In recent years, certain Asian countries, including China, have encountered incidents of SARS, Avian Flu or Influenza A. If any of our employees is identified as a possible source of spreading SARS, Avian Flu, Influenza A or any other similar epidemic, we may be required to quarantine the employees that have been suspected of becoming infected, as well as others that have come into contact with those employees. We may also be required to disinfect our affected premises, which could cause a temporary suspension of our manufacturing capacity, thus adversely affecting our operations. Even if we are not directly affected by the epidemic, an outbreak of SARS, Avian Flu, Influenza A or other similar epidemic, whether inside or outside China, could restrict the level of economic activity generally, which could in turn adversely affect our operating results and our share price.

Our corporate structure may restrict our ability to receive dividends from, and transfer funds to, our PRC operating subsidiaries, which could restrict our ability to act in response to changing market conditions in a timely manner.

Our Company is a Cayman Islands holding company and substantially all of our operations are conducted through our PRC operating subsidiaries. The ability of our PRC operating subsidiaries to make dividend and other payments to us may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations. In particular, under PRC law, each of our PRC operating subsidiaries may only pay dividends after 10%

of its net profit has been set aside as reserve funds, unless such reserves have reached at least 50% of its registered capital. In addition, the profit available for distribution from our PRC operating subsidiaries is determined in accordance with generally accepted accounting principles in China. This calculation may differ if it were performed in accordance with IFRS. As a result, we may not have sufficient distributions from our PRC operating subsidiaries to enable necessary profit distributions to our shareholders in the future, which would be based upon our financial statements prepared under IFRS.

Distributions by our PRC operating subsidiaries to us other than as dividends may be subject to governmental approval and taxation. Any transfer of funds from our Company to our PRC operating subsidiaries, either as a shareholder loan or as an increase in registered capital, is subject to registration or approval of PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. These limitations on the free flow of funds between us and our PRC subsidiaries could restrict our ability to act in response to changing market conditions in a timely manner.

RISKS RELATED TO THE STATEMENT MADE IN THIS DOCUMENT

Dividends declared in the past may not be indicative of our dividend policy in the future.

Prior to the Reorganization, dividends in the amount of approximately RMB0.3 million were paid by Weihai Cable to its then shareholders for the year ended 31 December 2007 and dividends in the amount of RMB24.0 million were paid by Weihai Electronic to its then shareholders for the year ended 31 December 2008. The shareholders of the PRC Subsidiaries resolved that the remaining profits of our PRC Subsidiaries for the two years ended 31 December 2009 and their profits for the year ending 31 December 2010 will be retained and will not be distributed. The amounts of distributions that any Company of our Group has declared and made in the past are not indicative of the dividends that we may pay in the future. A declaration of dividends proposed by our board and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our board may determine are important. For further details of our dividend policy, see "Financial Information — Dividend and Dividend Policy." We cannot guarantee if and when we will pay dividends in the future.

Mr. Chi Shaolin, our controlling shareholder, is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions, and its interests may not be aligned with the interests of our other shareholders.

Immediately following completion of [●], Mr. Chi, our Chairman, Chief Executive Officer and controlling shareholder, will be interested in 40.9% of our issued share capital. Subject to compliance with applicable laws, by maintaining such ownership, Mr. Chi is able to exercise substantial influence over our corporate policies and direct the outcome of corporate actions requiring shareholders' approval, including the election of Directors, the amendment of our Articles of Association, the amount and timing of dividends and other distributions, the acquisition of or merger with another company, the sale of all or substantially all of our assets and other significant corporate actions. In addition, Mr. Chi, in his capacity as Chairman and Chief Executive Officer of our Company, is able to exercise substantial control over the management of our business. The interests of Mr. Chi may differ from your interests. We cannot assure you that Mr. Chi will act in our interests. If circumstances arise in which the interest of Mr. Chi is in conflict with other shareholders' interests, minority shareholders could be disadvantaged.

We cannot guarantee the accuracy of certain facts and statistics with respect to the PRC, the PRC economy and the consumer electronics industry contained in this document.

Certain facts and statistics contained in this document relating to the PRC, the PRC economy and the consumer electronics industry have been derived from, among other sources, official PRC government publications generally believed to be reliable. We believe that the sources of the information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, the information has not been independently verified by us and no representation is given as to its accuracy. Also, we cannot guarantee the quality or reliability of such official government publications. They have not been prepared by us, therefore, we make no representation as to the accuracy of the facts and statistics, or materials prepared based on the facts and statistics, contained in the official government publications, which may not be consistent with other information compiled within or outside the PRC.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Chi Shaolin	Room 401, No. 4, Block 1 Phoenix Garden Residential Area Economic and Technological Development Zone Weihai, Shandong Province PRC	Chinese
Mr. Jiang Taike	Room 201, No. 3 Building No. 8 Liuzhou Road Yushan Industrial Park New & High Technology Development Zone Changshu City, Jiangsu Province PRC	Chinese
Mr. Li Jianming	Room 401, No.17, Block 1 Phoenix Garden Residential Area Economic and Technological Development Zone Weihai, Shandong Province PRC	Chinese
Mr. Tseng Chih-ming	Room 206, No.5 Building No. 8 Liuzhou Road Yushan Industrial Park New & High Technology Development Zone Changshu City, Jiangsu Province PRC	Taiwanese
Mr. Sui Shikai	Room 402, No.20, Block 1 Phoenix Garden Residential Area Economic and Technological Development Zone Weihai, Shandong Province PRC	Chinese
Mr. Mao Wanjun	Room 402, No.17, Block 1 Phoenix Garden Residential Area Economic and Technological Development Zone Weihai, Shandong Province PRC	Chinese
Mr. Kang Jin Won	Room 301, No.5 Building No. 8 Liuzhou Road Yushan Industrial Park New & High Technology Development Zone Changshu City, Jiangsu Province PRC	Korean

DIRECTORS

Name	Address	Nationality
Non-executive Directors		
Ms. Xu Yiming	Room 504, No.49, Nanchang Street, Huancui District Weihai, Shandong Province PRC	Chinese
Mr. Du Li	Room 702, Block 34, Zizhu Garden, Shekou, Shenzhen Guangdong Province PRC	Chinese
Mr. Wu Kezhong	Room 1102, No.10, Lane 1663, Dongfang Road Pudong New District Shanghai PRC	Chinese
Independent non-executive Directors		
Mr. Shu Wa Tung, Laurence	No. 186, Santa Villa 158, Xu Ying Road Xu Jing, Qing Pu District Shanghai PRC	Chinese
Mr. Song Lizhong	No.2, Wenhuaxi Road High-technology Industry Development District Weihai, Shandong Province PRC	Chinese
Ms. Zheng Lin	Room 203, No.455, Tongyi Road Huancui District Weihai, Shandong Province PRC	Chinese

CORPORATE INFORMATION

Registered Office	Offshore Incorporations (Cayman) Limited Corporation Scotia Centre, 4th Floor P.O. Box 2804, George Town Grand Cayman KY1-1112 Cayman Islands
Headquarter and Principal Place of Business in Hong Kong	Suites 06-12, 33/F Shui On Centre Nos. 6-8 Harbour Road Wanchai Hong Kong
Company Website	www.hong-lin.com.cn *(information contained in this website does not form part of this document)*
Company Secretary	Ms. Ho Wing Yan ACTS ACS
Authorized Representatives	Mr. Li Jianming Room 401, No.17, Block 1 Phoenix Garden Residential Area Economic and Technological Development Zone Weihai, Shandong Province PRC Ms. Ho Wing Yan Suites 06-12, 33/F Shui On Centre 6-8 Harbour Road Wanchai Hong Kong
Audit Committee	Mr. Shu Wa Tung, Laurence (Chairman) Mr. Song Lizhong Ms. Zheng Lin
Compensation and Benefits Committee	Ms. Zheng Lin (Chairman) Mr. Shu Wa Tung, Laurence Ms. Xu Yiming
Nomination and Corporate Governance Committee	Mr. Chi Shaolin (Chairman) Mr. Shu Wa Tung, Laurence Mr. Song Lizhong

CORPORATE INFORMATION

Principal Bankers	Bank of China (Weihai Branch) No. 9, Qingdao North Road Weihai, Shandong Province PRC
	Agricultural Bank of China (Weihai Branch) No. 76, Qingdao North Road Weihai, Shandong Province PRC
	China Everbright Bank (Changshu Sub-branch) 1288, Sanxiang Road Suzhou, Jiangsu Province PRC

OVERVIEW

External signal cable assembly, internal signal cable assembly, power cord assembly, signal transmission wire & cable and connector (collectively called as "Cable Assembly and Connector Related Products") in general are used for transmission of signal, data or power, and are used in a wide range of industries including but not limited to (i) consumer electronics, such as TVs, personal computers and notebooks, mobile handsets and digital cameras; (ii) household appliances such as refrigerators, air conditioners and washing machines; (iii) communication equipment, such as switches, routers and access equipment; (iv) the energy sector for power transmission; and (v) automotive manufacturing.

Currently, our products are predominantly used in the high-end consumer electronics industry but as part of our strategy to expand our scope of business, we also intend to focus on developing new signal transmission related products for certain other industries such as the solar energy and automotive sectors.

In the past, the market for Cable Assembly and Connector Related Products for the consumer electronics industry was dominated by Taiwan manufacturers. In recent years, according to Frost & Sullivan, Chinese manufacturers have begun to gain market share in this market due to their competitive cost structure, improving product quality and after-sales service.

REPORTS COMMISSIONED FROM FROST & SULLIVAN

Frost & Sullivan, an independent market research and consulting company, was commissioned by our Company to conduct an analysis of, and to report on Cable Assembly and Connector Related Products in general used for transmission of signal, data or power primarily for consumer electronic products such as TV, personal computer and notebook, mobile handset, digital camera and other products from 2007 to 2013. The report commissioned has been prepared by Frost & Sullivan independent of the Group's influence. The Group paid Frost & Sullivan fees of RMB650,000, which we consider reflect market rates. Founded in 1961, Frost & Sullivan has 35 global offices with more than 1,800 industry consultants, market research analysts, technology analysts and economists. Its services include technology research, market research, economic research, corporate best practices advising, training, customer research, competitive intelligence and corporate strategy. Based in the United States, it has been covering the Chinese market from its offices in China since the 1990s.

The Frost & Sullivan's report that the Group commissioned includes information on Cable Assembly and Connector Related Products and other economic and industrial data, which have been quoted in this document. Frost & Sullivan's independent research was undertaken through both primary and secondary research obtained from various sources within the PRC. Primary research involved interview with leading industry participants from signal cable assembly, power cord assembly, wire & cable, connector industry and related industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected total market size information in the PRC was obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers such as increasing disposable income, rise of emerging applications, increasing product diversification, and potential in high-end products market mapped against available projected drivers obtained through interviews with industry experts and participants.

We understand that the forecasting methodology of Frost & Sullivan has integrated several forecasting techniques with the market engineering measurement-based system. The forecasting methodology is a seven-step system shown as follows that maximizes the credibility and accuracy of the forecasts:

1. Market Engineering Research Process Completed

The market engineering research process provides the navigational measurements of current market position and trends, which are the basis of the forecast.

2. Measurements and Challenges Analyzed over Time

Measurements and challenges are analyzed over time to provide additional insights into their potential impact on the market size and development.

3. Identification of Market Drivers and Restraints

The analyst specifies the factors that drive the market forward in terms of revenue and determines the elements that inhibit growth.

4. Expert-Opinion Integration with Analyst Team

The interview process includes a variety of industry experts, competitors and key customers. These experts' opinions on the direction of the market are integrated with the data and analysis already created.

5. Forecasts Calculated

Analysts collect the market data which are required and needed to create the initial forecast scenarios. Each scenario is assessed to determine the most probable outcome for the market size. For example, the forecasts are matched to the leading economic indicators and drivers for each specific industry.

6. Delphi Technique Integration, If Needed

If the data collected contradicts the forecast scenarios, it is necessary to discuss again the market forecasts with the industry experts who have already been interviewed in the research process.

7. Quality Control within Research Department

Once the forecasts are integrated into the market section, they are verified by other team members in the industry research group, and the research director. The forecasts are also ensured for mathematical accuracy and internal consistency by the final review preparation department and the editing department.

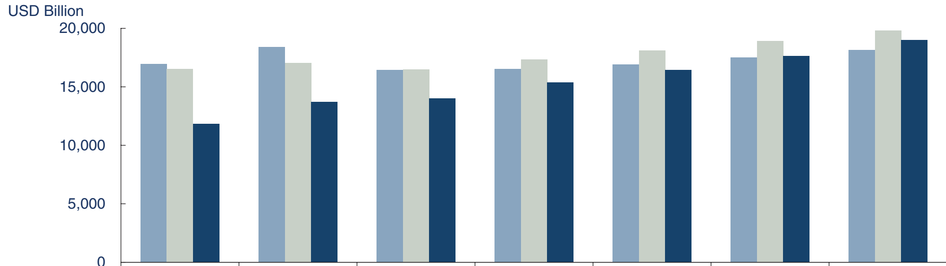
Frost & Sullivan's report has quoted sources from International Monetary Fund ("IMF") and Wind Info. IMF is an organization with members of 187 countries. IMF monitors economic and financial developments globally. It publishes a range of time series data on IMF lending, exchange rates and other economic and financial indicators. Wind Info is the leading financial data and financial software provider in China. It served over 1,500 financial companies, including securities firms, fund management firms, insurance companies, banks and investment companies. IMF and Wind Info were not commissioned by the Company. There is no relevant fee paid to IMF or Wind Info regarding the use of their research and data in this document.

THE GLOBAL AND CHINESE ECONOMY

The Global Economy — Nominal GDP Comparison among the European Union, North America and Asia Pacific

From a global perspective, the European Union ("EU"), North America and Asia Pacific are the top ranking regional economies in terms of nominal GDP. The chart below illustrates the actual and expected nominal GDP of EU, North America and Asia Pacific from 2007 to 2013.

Comparison of Nominal GDP (EU, North America and Asia Pacific), 2007-2013E



	2007	2008	2009	2010E	2011E	2012E	2013E
EU	16,942.6	18,387.5	16,447.3	16,543.2	16,925.3	17,507.4	18,139.6
North America	16,530.4	17,030.9	16,467.6	17,351.5	18,104.6	18,928.1	19,806.3
Asia Pacific	11,855.3	13,701.2	14,027.3	15,374.5	16,432.9	17,663.2	19,024.4

Region	GDP Growth CAGR (2009-2013E)
EU	2.5%
North America	4.7%
Asia Pacific	7.9%

Notes:

(1) EU comprises 27 countries: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, Romania and the United Kingdom.

(2) North America comprises 3 countries: the United States, Canada and Mexico.

(3) Asia Pacific comprises 15 countries: Australia, Brunei Darussalam, Chile, China, Hong Kong, Indonesia, Japan, Korea, Malaysia, New Zealand, Papua New Guinea, Philippines, Singapore, Taiwan and Thailand.

(4) All data are rounded.

Source: International Monetary Fund, April 2010

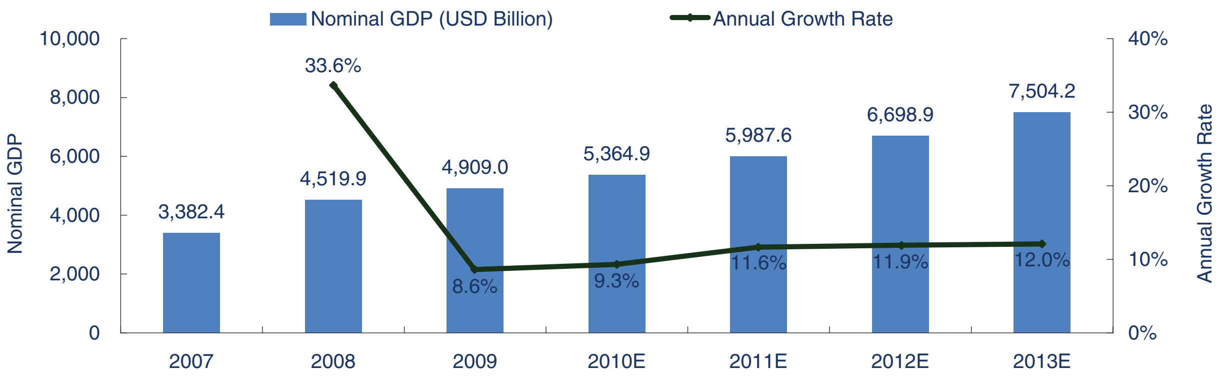
In 2009, due to the impact of the global financial crisis, GDP for EU experienced a significant decrease while the North America's GDP was stagnant. In comparison, the impact of the global financial crisis on the Asia Pacific's GDP was relatively mild. In 2009, EU and the North America achieved nominal GDP of US$16,447.3 billion and US$16,467.6 billion, respectively, while the nominal GDP of the Asia Pacific was US$14,027.3 billion. However, the GDP growth rate of the Asia Pacific has been much higher than that of the North America and EU. According to the International Monetary Fund, the nominal GDP of the Asia Pacific is forecast to grow at a CAGR of 7.9% from 2009 to 2013, while that of EU and the North America is only forecast to grow at a rate of 2.5% and 4.7%, respectively.

China's Economic Growth

Since the implementation of the opening-up policy of the Chinese government in the late 1970s, the Chinese economy has witnessed tremendous growth. According to the International Monetary Fund, from 2007 to 2009, China experienced a rapid growth, with GDP rising from US$3,382.4 billion in 2007 to US$4,909.0 billion in 2009, representing a CAGR of 20.5%. In 2009, due to the global financial crisis, the growth of the Chinese economy experienced a moderate decline, but the nominal GDP still increased year-on-year by 8.6% to US$4,909.0 billion. The International Monetary Fund further predicts that the Chinese economy is likely to rebound due to the Chinese government's economic stimulus package and the gradual recovery of the global economy. From 2009 to 2013, the Chinese GDP is expected to grow at a CAGR of 11.2 %.

The following chart sets forth the historical and expected GDP growth rates between 2007 and 2013 for China.

Nominal GDP (China), 2007-2013E



Note: All data are rounded; The base year is 2009.
Source: International Monetary Fund, April 2010

GLOBAL AND CHINESE CONSUMER ELECTRONICS MARKET

Introduction

Consumer electronics refer to electronic product or equipment intended for daily use. They are usually used for entertainment, communications and business. Major consumer electronics include personal computers and notebooks, TVs, mobile handsets and digital cameras. Other products include, among others, MP3 players, audio equipment, calculators, GPRS automotive navigation systems, playback and recording of video media such as DVDs, VHSs and camcorders. Currently, the global consumer electronics industry is mainly dominated by Japanese, South Korean and American manufacturers.

According to Frost & Sullivan, the key trends for the global consumer electronics industry include:

- ***Constant roll-out of new versions of products***: one of the significant characteristics of all consumer electronics products is the constant roll-out of new versions along with the trend of ever-falling prices for older versions. According to Frost & Sullivan, this trend is driven primarily by product innovation and manufacturing efficiency and automation and lower labor costs as manufacturing has moved to countries with lower wages.

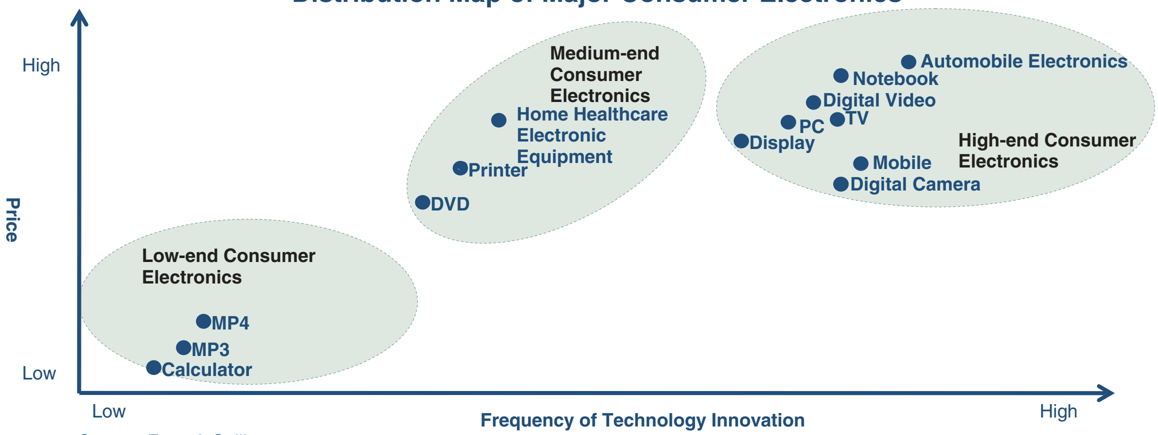
- ***Product convergence:*** the consumer electronics industry continues its trend of product convergence as one product combines the elements of many consumer electronics items. As a result, consumers face an increasing number of different choices when purchasing any particular item.

- ***Connectivity*:** a recent trend in many types of consumer electronics is connectivity. Using technologies such as Wi-Fi, Bluetooth or Ethernet, it has become common for many products to include Internet connectivity. A lot of products which were not traditionally associated with computer uses (such as TVs or Hi-Fi equipment) now provide options to connect to the Internet or to a computer using a home network to provide access to digital contents.

The consumer electronics market can be divided into three segments: high-end, medium-end and low-end products. The characteristics of each segment are:

- ***High-end Consumer Electronic:*** The high-end consumer electronic product has higher average price along with rich function and rapid technological upgrade.
- ***Medium-end Consumer Electronic:*** The medium-end consumer electronic product often has medium average price along with popular function and standard technological upgrade.
- ***Low-end Consumer Electronic:*** The low-end consumer electronic product often has lower average price along with limited function and slower technological upgrade.

Distribution Map of Major Consumer Electronics



Source: Frost & Sullivan

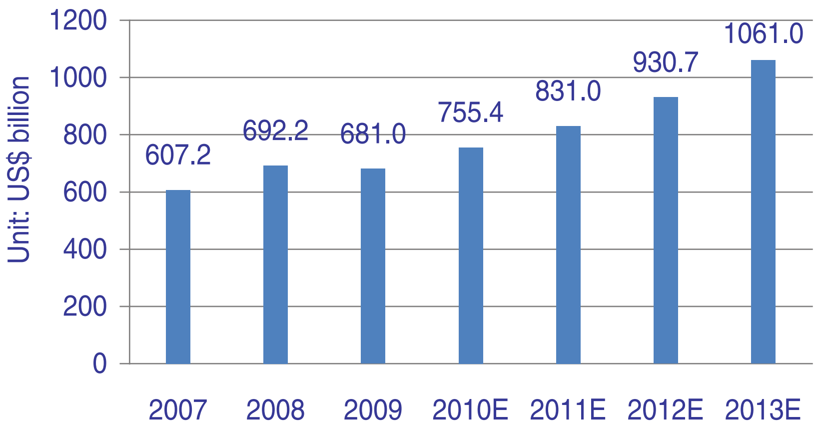
In 2009, the global consumer electronics market sales reached US$681.0 billion. Specifically, the high-end consumer electronics market which amounted to about US$560.5 billion accounted for 82.3% of total global consumer electronics market; the medium-end consumer electronics market accounted for 10.6% of total global consumer electronics market; and the low-end consumer electronics accounted for 7.1% of total global consumer electronics market.

Most of the Company's products are targeting mainly the high-end consumer electronics markets.

Global Consumer Electronics Market

The global consumer electronics market has maintained a rapid growth in recent years. Although the global financial crisis started in the second half of 2008 leading to a decline in the global consumer electronics market in 2009, Frost & Sullivan predicts that the global consumer electronics market will return to growth, with a CAGR of 11.7% from 2009 to 2013. The following chart sets forth the historical and expected growth of the global consumer electronics market between 2007 and 2013.

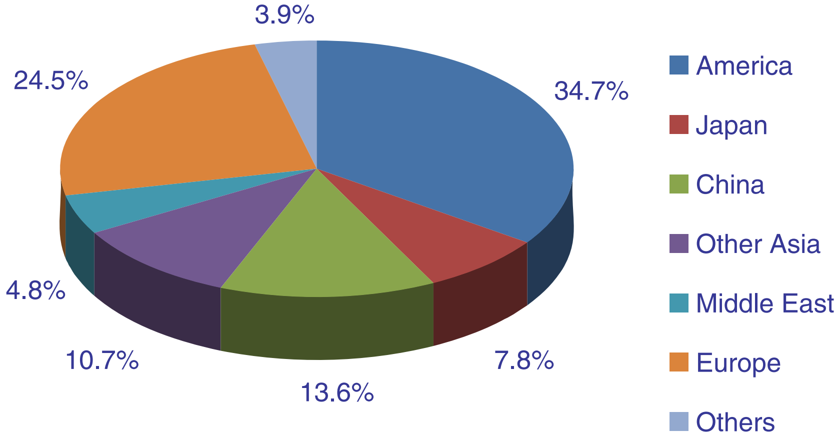
Global Consumer Electronics Market, 2007-2013



Note: All data are rounded
Source: Frost & Sullivan

In addition, the market share of consumer electronics product sales by America and Europe has been decreasing in the past few years. According to Frost & Sullivan, in terms of consumer electronics product sales, the market share of America continued to shrink to about 34.7% in 2009 from about 35.0% of the global consumer electronics market in 2008. Meanwhile, Europe's market share of the global consumer electronics sales also decreased from 27.3% in 2008 to 24.5% in 2009. The following chart sets forth the global electronics market share by region for 2009.

Global Consumer Electronics Products Market Share by Region, 2009

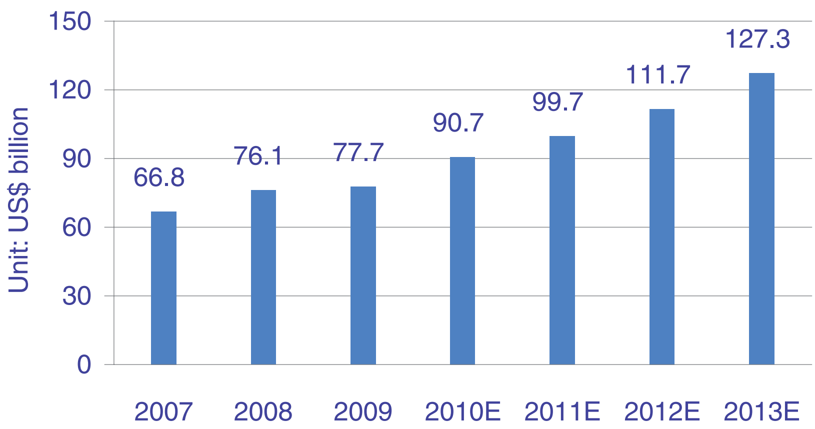


Source: Frost & Sullivan

Chinese Consumer Electronics Market

According to Frost & Sullivan, notwithstanding the global financial crisis, the Chinese consumer electronics market continued to grow in 2009, albeit at a reduced rate of 2.0%, due to strong domestic demand and the increased investment by the Chinese government to drive the development in the domestic economy, and such growth rate of China was still the fastest in the world in 2009. Frost & Sullivan predicts that, in the future, the Chinese consumer electronics market will generate a higher growth rate with the CAGR of 13.2% from 2009 to 2013. The following chart sets forth China's historical and expected electronic products market capacity from 2007 to 2013.

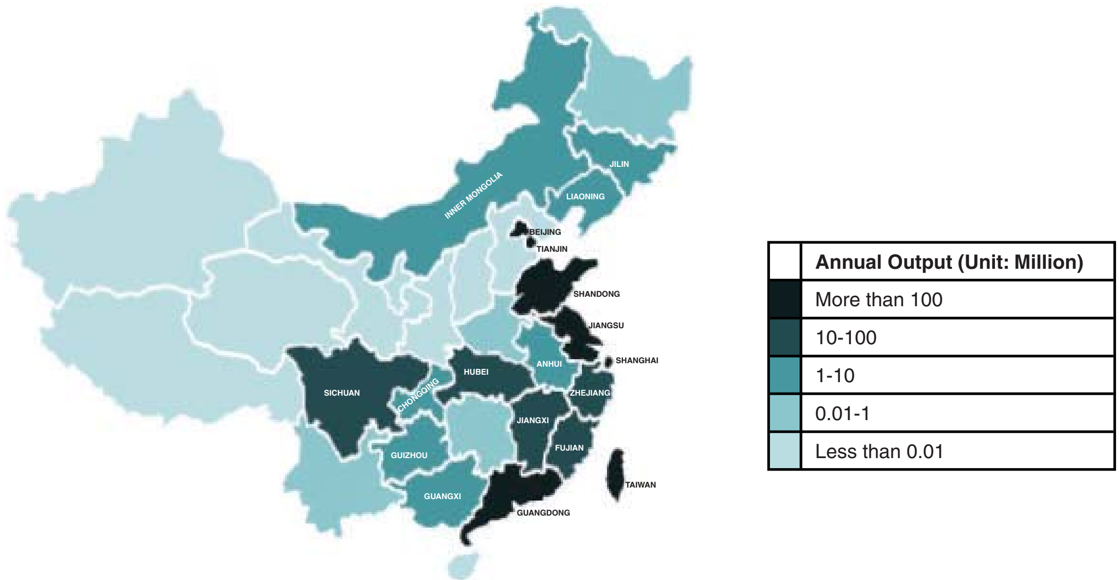
China Electronics Market, 2007-2013



Note: All data are rounded.
Source: Frost & Sullivan

China's consumer electronics market is increasingly becoming one of the world's most important regional markets. With the rapid development of digital TVs, mobile communications networks and Internet, and as more digital products are used in daily life, it is believed that China's consumer electronics market has the potential for significant future growth. In addition, the consumer electronics industry in China has increasingly focused in the areas of energy conservation, environmental protection, and health safety, which, according to Frost & Sullivan, should generate new market opportunities.

China Consumer Electronics Products Distribution Map



Note: Output collected for each province in 2009
Source: Frost & Sullivan

According to Frost & Sullivan, key provinces/cities for production of consumer electronics products in China are Guangdong, Beijing, Jiangsu, Shanghai, Tianjin and Shandong, with annual output of consumer electronic products exceeding 100 million units. Besides, in recent years, Zhejiang province has set up a relatively strong industrial base in the electronics sector and its electronic industry has developed strongly. Chongqing is becoming an increasingly important manufacturing hub and is China's largest IT manufacturing base in the west region of China and identified as one of the fifth-largest transportation hubs in China.

GLOBAL EXTERNAL SIGNAL CABLE ASSEMBLY MARKET

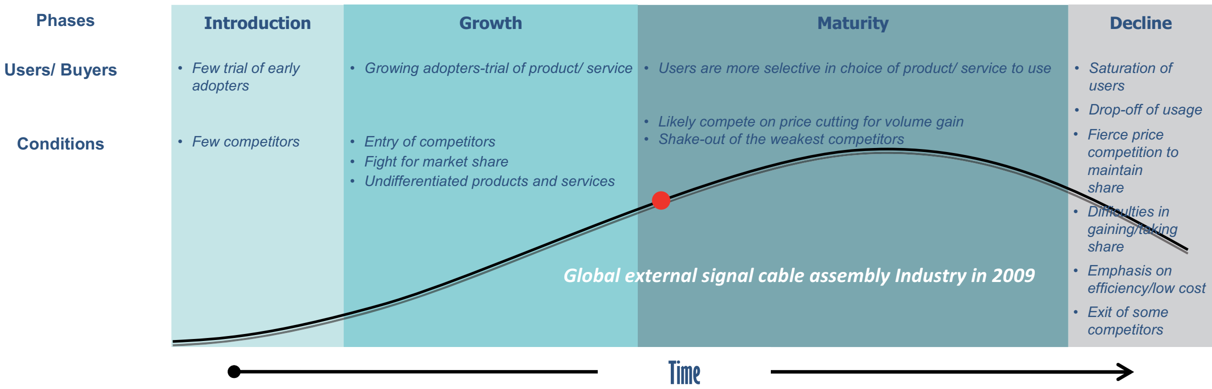
Introduction

External signal cable assembly for the consumer electronics market is used for transferring signals to a display and is widely used in mobile handsets, digital cameras, DVD players, personal computers and notebook, video game consoles, integrated amplifier, digital audio and television sets. The principal product types of external signal cable assembly include RGB assembly, DVI assembly, HDMI assembly, USB assembly and DC assembly.

Industry Life Cycle

The current global external signal cable assembly market is anticipated to remain in the early maturity stage in at least the next few years and its life cycle could be extended through continuous technology advancement and increase in emerging market demands resulting in new type of external signal cable assembly such as HDMI and USB cable assembly. The following chart sets forth the industry life cycle for external signal cable assembly for consumer electronics market:

Global External Signal Cable Assembly Market: Industry Life Cycle



Source: Frost & Sullivan

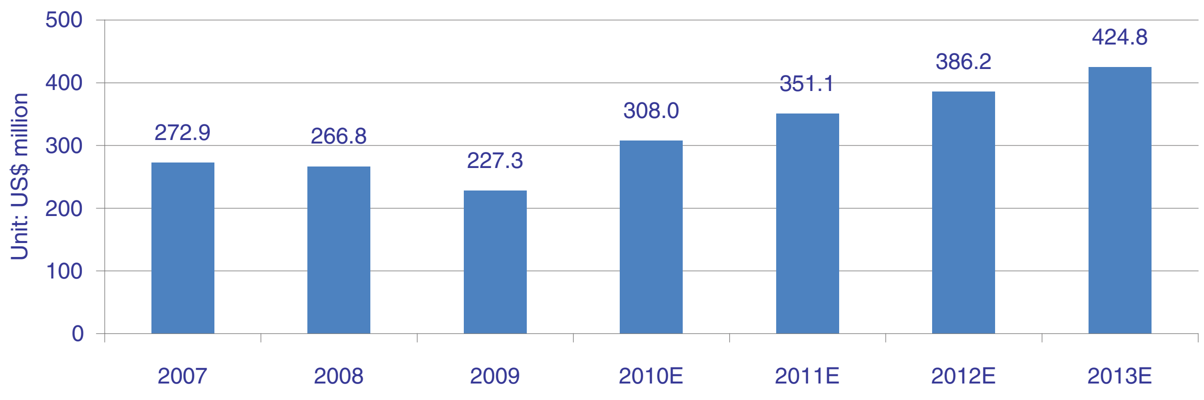
According to Frost & Sullivan, the global external signal cable industry was originated in the 1970s with the development of RGB and DVI assembly, and now has entered the early maturity stage. The global external signal cable assembly industry has been developing for many years. Such development resulted from the growth of TV and other consumer electronics, which in turn was driven by global economic growth and the improvement of average consumption level.

In recent years, external signal cable assembly manufacturers have increasingly focused on continuous technological improvement. Since 2007, technology innovation on manufacturing processes has driven the development of the global external signal cable market. Every kind of external signal cable assembly products has been upgraded to a higher standard and such product upgrading remains a continuing process as external signal cable manufacturers engage in technology innovation. For example, the USB assembly product has been developed from the initial USB1.0 to more advanced USB2.0 and, more lately, USB3.0 products. Such new standards raise higher requirements for better data transfer.

Market Size

The following chart sets forth the historical and expected global external signal cable assembly market size for the consumer electronics market by revenue from 2007 to 2013:

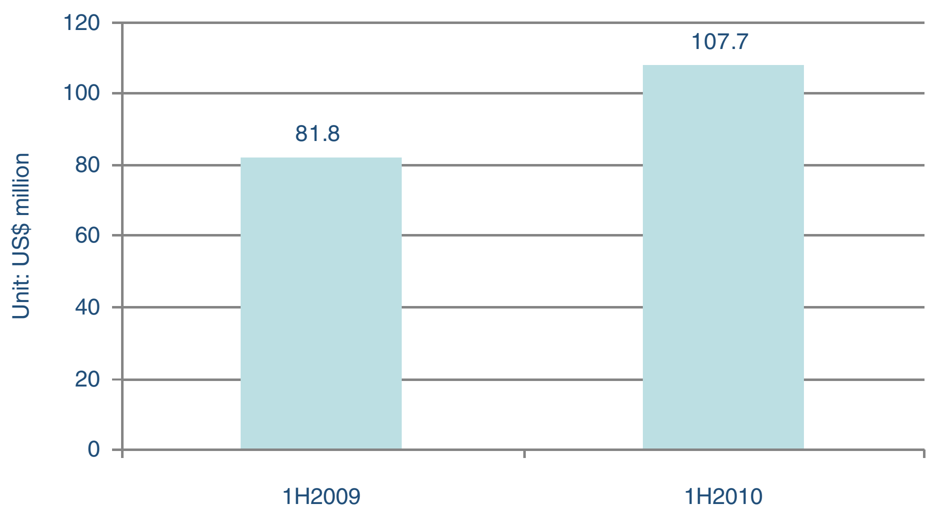
Global External Signal Cable Assembly Market Size by Revenue, 2007-2013



Note: All data are rounded
Source: Frost & Sullivan

The following chart sets forth the global external signal cable assembly market size for the consumer electronics market by revenue in the first half of 2009 and 2010. The sales of the global external signal cable assembly market reached US$107.7 million in the first of 2010, representing an increase of 31.6% as compared to the same period in 2009.

Global External Signal Cable Assembly Market Size by Revenue, 1H2009-1H2010



Note: All data are rounded.
Source: Frost & Sullivan

At present, the majority of products in external signal cable market are RGB assembly and DVI assembly. USB assembly, HDMI assembly and DC assembly are recently developed products, and they were produced in bulk by manufacturers in the last two years. It is expected that, as the global economy recovers, the consumer electronics industry will recover as well. The market is expected to grow and the demand of external signal cable assembly is expected to be strong in the foreseeable future. Frost & Sullivan predicts that total sales of the global external signal cable assembly market for the consumer electronics market will grow at a CAGR of 16.9% from 2009 to 2013.

Key Industry Growth Drivers

Major factors contributing to the growth of the global external signal cable assembly market include:

- **Growth of TV and other consumer electronics industries:** TV and other electronics industries are likely to recover and will grow rapidly as the global economy recovers. For certain developed or developing economies, such as China, economy recovery has been better than expected.
- **Growing demands:** The demand of consumer electronic products such as TVs, personal computers and notebooks, and mobile handsets will increase, especially in China where the government has implemented a series of policies to stimulate consumption. The continued innovation of TV and other electronics, such as HDMI TV and newer version of notebook, is further expected to generate additional signal cable assembly market demands.
- **Increasingly richer applications:** In addition to the existing applications, new applications will emerge due to the high-tech development. Especially on Internet application, there are many new products emerging.

Future Outlook

According to Frost & Sullivan, the key trends for global external signal cable assembly for the consumer electronics market include:

- ***Significant growth potential:*** the global external signal cable assembly market is likely to have strong growth potential as a result of the expected increase in global demand of mobile handsets, digital cameras, TV and computers.
- ***China's potential as a major market*:** the growth rate of mobile, digital camera, TV and computer markets in China exceeds other markets and China is forecast to be a major market for external signal cable assembly products in the future.
- ***USB assembly, HDMI assembly and DC assembly to be major product types*:** USB assembly, HDMI assembly and DC assembly are expected to become the major product types in the external signal cable assembly market. At present, RGB assembly and DVI assembly markets are at a relatively mature stage and the growth of the two markets is expected to remain stable. However, USB assembly, HDMI assembly and DC assembly are relatively new products and are expected to be adopted widely.

Competitive Landscape

According to Frost & Sullivan, competition in the global external signal cable assembly market is mainly based on pricing, level of technology, range of product and product quality.

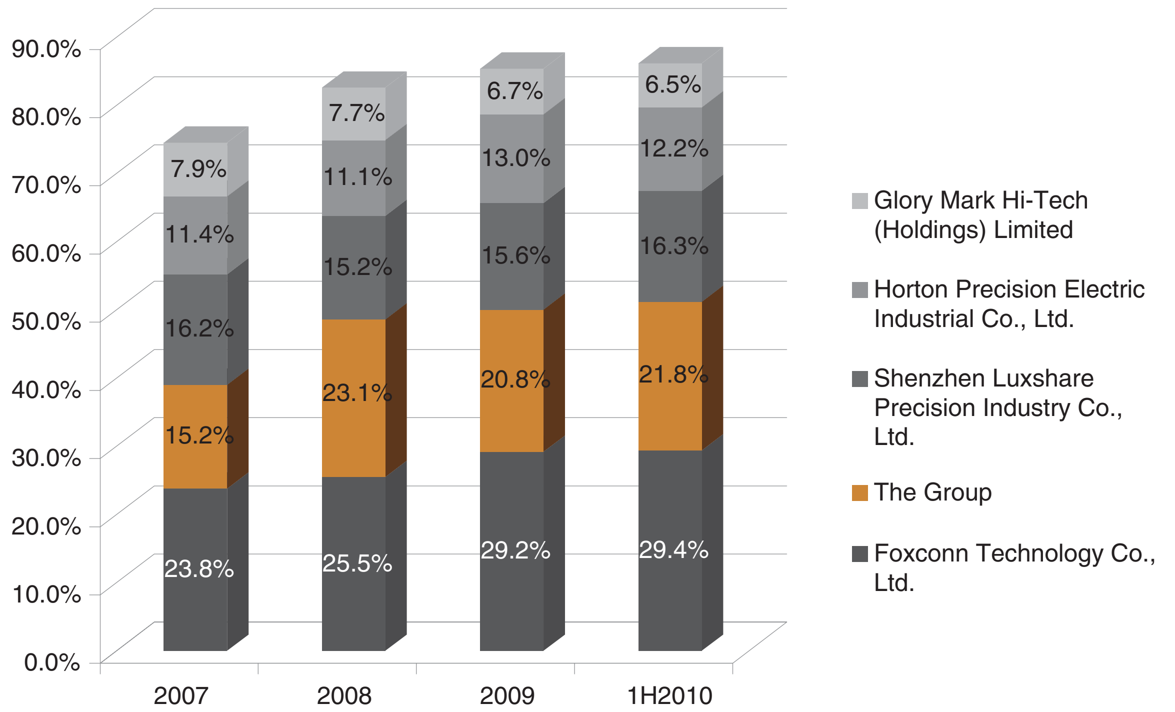
Below is a brief summary of the key attributes of the competitive landscape of the global external signal cable assembly market in 2009:

Tiers of Competitors	• Large-scale manufacturers are frequently seen in medium- and high-end markets, where product quality is better and margin is favorable. Some of them provide low-end products only when the amount of orders reaches a certain level. • Large-scale manufacturers offer a diversified product range of external signal cable assembly and primarily focus on producing latest product models which usually require higher technical requirement. • Large-scale manufacturers supply mainly to global leading brands and non-brand name consumer electronics manufacturers such as Sony Group, Samsung Electronics, LG Electronics, Quanta Computer Inc. and Compal Electronics. Such consumer electronics manufacturers usually keep close relationship with their suppliers. • Medium-scale manufacturers are footed in medium-end market while trying to move to the high-end market. However, producing high-end products requires advanced technology and considerable capital investments in equipment, which presents significant barriers for them to enter the high-end market. • Small-scale manufacturers provide low-end products with lower value-added. The business of many of such manufacturers is focused on single column of products.
Degree of Competition:	High
Key Applications	• Display • LCD and LED TV • Notebook • Digital camera • Mobile handset • Printer

According to Frost & Sullivan, the global external signal cable assembly market is highly concentrated with the top 5 manufacturers accounting for 85.3% and 86.2% of the total revenue of the market in 2009 and the first half of 2010, respectively. According to Frost & Sullivan, the Company ranked second with 20.8% and 21.8% market share in terms of revenue in 2009 and the first half of 2010, respectively, and with a three-year CAGR of 6.8%, the highest among the top 5 manufacturers from 2007 to 2009. In addition to the Company, the other top 5 manufacturers in the global external signal cable assembly market in 2009 include (i) Foxconn Technology Co., Ltd., a large ODM manufacturer based in Taiwan that engages primarily in the manufacture, research, development and distribution of computer, communication and electronic products; (ii) Shenzhen Luxshare Precision Industry Co., Ltd., a company based in Shenzhen, PRC that engages primarily in the manufacture of electronic connectors and cable assembly solutions; (iii) Hotron Precision Electronic Industrial Co., Ltd., a Taiwan-based company with principal businesses in copper products, wire & cable, tool and mould, composite mylar aluminum foil manufacturing, precision metal press, plastic injection, plastic materials, connectors and cable assembly; and (iv) Glory Mark Hi-Tech (Holdings) Limited, a Taiwan-based company that engages primarily in the manufacture of electronic products and cable assembly.

The following chart sets forth the market share information of the top 5 manufacturers in the global external signal cable assembly market in 2007, 2008, 2009 and the first half of 2010.

Global External Signal Cable Assembly Market: Market Share by Revenue, 2007 – 1H2010



Note: All data are rounded
Source: Frost & Sullivan

GLOBAL NOTEBOOK INTERNAL SIGNAL CABLE ASSEMBLY MARKET

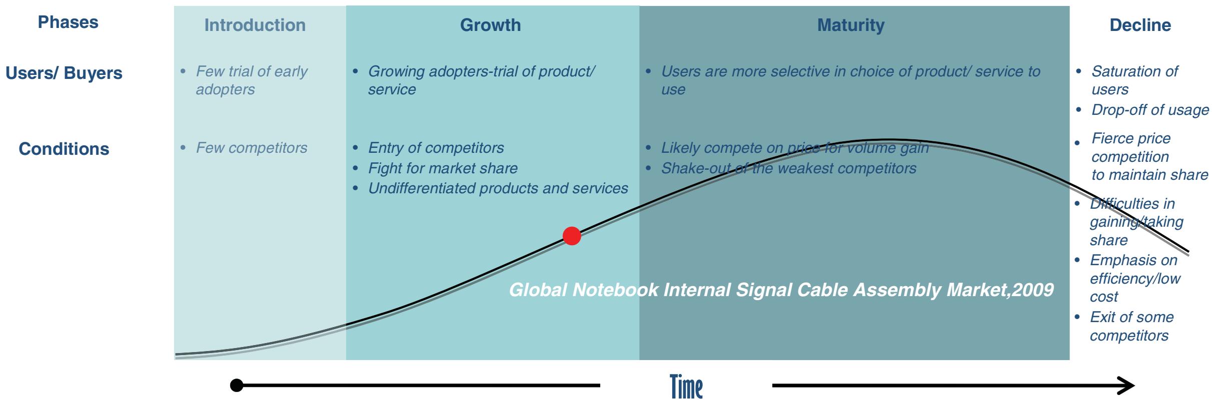
Introduction

Notebook internal signal cable assembly is adopted on notebook in connecting main board to display. The principal product types of notebook internal signal cable assembly include LVDS assembly such as mini-coaxial cable and slim wire harness. Notebook internal signal cable assembly products are mainly judged on their transmission efficiency, shielding effectiveness and anti-swinging ability. At present, the mini-coaxial cable and slim-wire harness products exhibit great performance in terms of these criteria.

Industry Life Cycle

The global notebook internal signal cable assembly market now is in the growth stage and it is forecasted to remain in such life cycle in at least the next few years. Its life cycle will be extended through product innovations, such as new types of notebook internal signal cable assembly with higher transmission efficiency, shielding effectiveness, and anti-swinging ability, and sustained growth in market demand for notebook. The following chart sets forth the notebook internal signal cable assembly industry life cycle:

Global Notebook Internal Signal Cable Assembly Market: Industry Life Cycle



Source: Frost & Sullivan

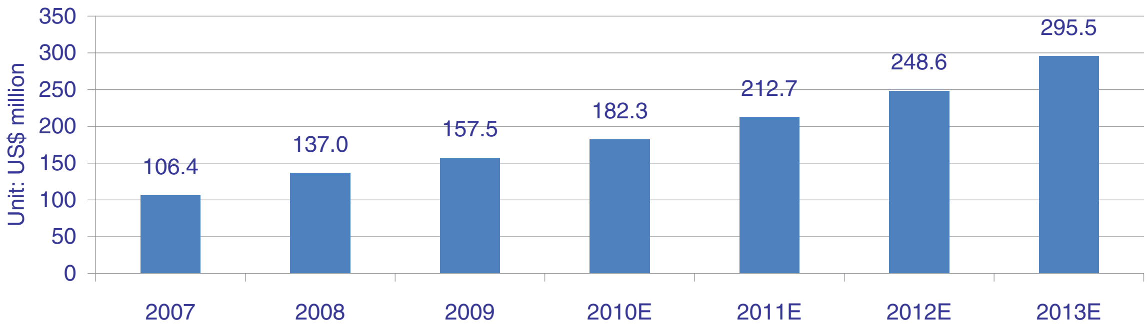
The first notebook was produced in 1979. There are three phases for the development of the global notebook industry thereafter, including: the first phase (1979-1989) for the generation of notebook concept; the second phase (1990-2000) for the generation of the notebook retail market; and the third phase (2000-2009), during which notebook was accepted by more and more consumers.

In 2009, the global notebook market generated high growth rate which led to the rapid growth of the global notebook internal signal cable market. Year 2009 was seen as a turning point in the computer market. It is the first time that the demands of notebook exceeded personal computers. With the growth of notebook, suppliers of specialty notebook internal signal cables assembly are at a stage for significant growth. Many manufacturers from Taiwan first saw the potential opportunity and started business in this field and they have now contributed to the majority of the market share. Nowadays, more and more Chinese manufacturers have begun to recognize the growth potential of the notebook internal signal cable assembly market. Some leading Chinese manufacturers have strengthened their advantages in the areas of technology innovation and cost control in order to get ahead of other competitors. According to Frost & Sullivan, it is foreseen that notebook tends to be of increasingly lighter weight and with higher performance requirements, which presents significant challenges for many suppliers of internal signal cable assembly. It is believed that only those suppliers that can stay ahead in technology innovation and research and development will lead the development of the global notebook internal signal cable assembly market.

Market Size

The following chart sets forth the historical and expected global notebook internal signal cable assembly market size by revenue from 2007 to 2013:

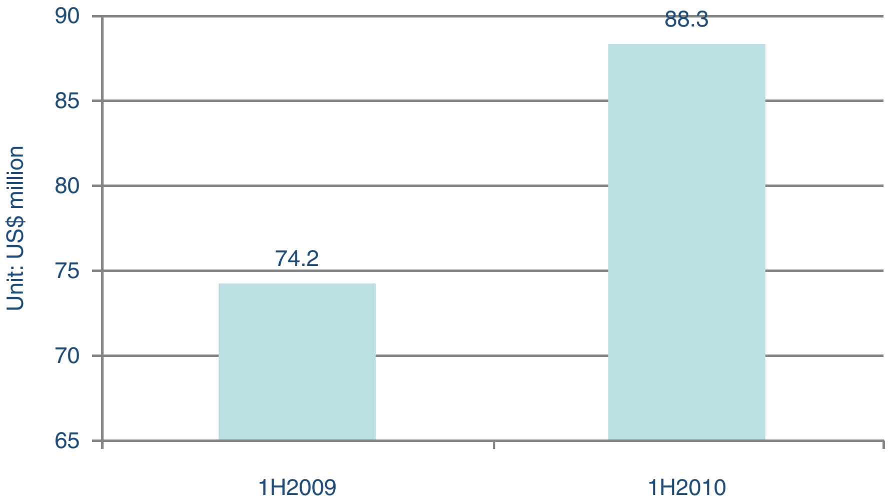
Global Notebook Internal Signal Cables Assembly Market Size by Revenue, 2007-2013



Note: All data are rounded.
Source: Frost & Sullivan

The following chart sets forth the global notebook internal signal cable assembly market size by revenue in the first half of 2009 and 2010. The sales of the global notebook internal signal cable assembly market reached US$88.3 million in the first half of 2010, representing an increase of 19.0% as compared to the same period in 2009.

Global Notebook Internal Signal Cable Assembly Market Size by Revenue, 1H2009-1H2010



Note: All data are rounded.
Source: Frost & Sullivan

In recent years, the global notebook market has experienced rapid growth and the annual growth rate reached about 15.0% from 2008 to 2009. In 2009, the lower unit selling price was one of the key factors contributing to the high growth of demands of notebook and the notebook accounted for 60% of the entire computer market. With the development of notebook, in addition to fashion and rich functions, portability has also become an important and critical consideration for consumers. According to Frost & Sullivan, the global notebook internal signal cable assembly market is expected to maintain strong growth with a CAGR of 17.0% from 2009 to 2013.

Key Industry Growth Drivers

Major factors contributing to the growth of the global notebook internal signal cable assembly market include:

- **Increasing individual demands for notebook:** Increasing individual demands for notebook are likely to boost the demand for the notebook internal signal cable assembly market. Computer is essential to daily lives and its usage has maintained at a rapid growth rate. Compared to personal computer, notebook is increasingly more popular because of its fashion style and portability. As notebook's price experiences a downward trend in general, more and more individual consumers can afford to buy notebook in recent years.

- **Increasing business demands for notebook by enterprises:** Increasing business demands for notebook by enterprises are forecast to grow due to economic development as enterprises have increasingly recognized the importance of IT investments. With the development in economic globalization, notebook is also seen as the best choice for businessmen and corporate employees to carry during business trips.

Future Outlook

According to Frost & Sullivan, the key trends for the global notebook internal signal cable assembly market include:

- ***Significant growth potential:*** Global notebook internal signal cable assembly market is likely to be a large potential market. The global notebook industry is at a growth stage and the development of notebook will bring many business opportunities for the global notebook internal signal cable assembly market.

- ***China's potential as a major market:*** In 2009, the notebook market growth rate in China was 19% which was slightly higher than that of the global market. China will be a major market for global notebook internal signal cable assembly products because of the anticipated growth of its notebook market.

- ***Technology innovation promotes the development of notebook:*** New version of mini-coaxial cable and slim-wire harness with higher technical requirements will benefit the development of new version of notebook in areas such as product design and weight. As a result, new types of mini-coaxial cable and wire harness will likely continue to be adopted by notebook manufacturers.

Competitive Landscape

According to Frost & Sullivan, competition in the global notebook internal signal cable assembly market is mainly based on level of technology, customer services and the scope and breadth of product offerings.

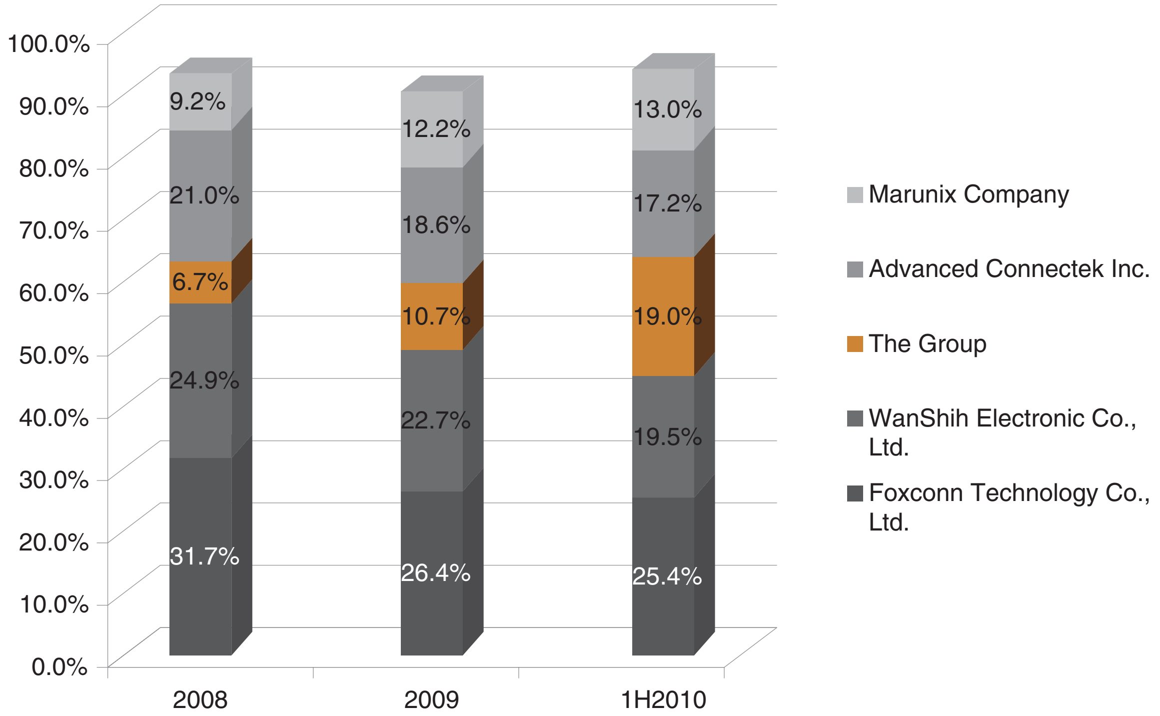
Below is a brief summary of the key attributes of the competitive landscape of the global notebook internal signal cable assembly market in 2009:

Tiers of Competitors	• Large-scale manufacturers are mostly positioned in the medium-end and high-end market, where product quality is better and margin is more favorable. Some of them provide low-end products only when the amount of orders reaches a certain level. The large-scale manufacturers not only maintain a good working relationship with the original equipment manufacturers (OEM) and original design manufacturers (ODM) both in mainland China and Taiwan, but also maintain a good working relationship with international brand name notebook manufacturers. • Medium-scale manufacturers participate in the medium-end market while trying to move to high-end market. However, high-end products require advanced technology and considerable capital investments in equipment, which presents significant barriers for them to enter the high-end market. The medium-scale manufacturers usually have average research and development capability. • Small-scale manufacturers provide low-end products with lower value-added services. Many small-scale manufacturers generally focus on the conventional products and they typically have poor research and development capability.
Degree of Competition:	High
Key Applications	• Notebook

According to Frost & Sullivan, the global notebook internal signal cable market is highly concentrated with the top 5 manufacturers accounting for 90.6% and 94.1% of the total revenue of the market in 2009 and the first half of 2010, respectively. Though we commenced production of notebook internal signal cable assembly in 2008, we ranked fifth with 10.7% market share in terms of revenue in 2009 and third with 19.0% market share in terms of revenue in the first half of 2010, according to Frost & Sullivan. In addition to our Company, the other top 5 manufacturers in the global notebook internal signal cable assembly market in 2009 include (i) Foxconn Technology Co., Ltd., a large ODM manufacturer based in Taiwan that engages primarily in the manufacture, research, development and distribution of computer, communication and electronic products, (ii) Wanshih Electronic Co., Ltd., a Taiwan-based company that engages primarily in the manufacture of power cord assembly, wire harness and cable assembly products, (iii) Advanced Connectek Inc., a Taiwan-based company that engages in the manufacture of HDMI total solution, connectors, cable assembly, wireless antennas, optical fiber components and LED lighting solutions, and (iv) Marunix Company, a Japan-based company that specializes in the manufacture of notebook internal cable products.

The following chart sets forth the market share information of the top 5 manufacturers in the global notebook internal signal cable assembly market in 2008, 2009 and the first half of 2010.

Global Notebook Internal Signal Cable Assembly Market: Market Share by Revenue, 2008 - 1H2010



Note: All data are rounded
Source: Frost & Sullivan

GLOBAL POWER CORD ASSEMBLY MARKET

Introduction

A power cord assembly is a cord or cable that temporarily connects an electrical appliance to the distribution circuits of an electrical power source via a wall socket or extension cord. The principal product types of power cord assembly include AC power cord assembly and DC power cord assembly. Power cord assembly is widely used but it is not easy to carry. Meanwhile, a power cord assembly is also restricted in its adoptions in terms of different protocols. At present, some USB cables of electronic products are produced with power charging feature that has been increasingly accepted by consumers and it may influence long term development of power cord assembly.

The following table sets forth the technical standard certifications by various countries.

	Country	Abbreviation	Certification Mark
Power Supply Cord	United States	UL	
	Canada	CSA	
	Japan	T-MARK	
	England	BS	
	Australia	SAA	SAA
	France	NF	
	Italy	IMQ	
	Belgium	NBN	
	Austria	OVE	

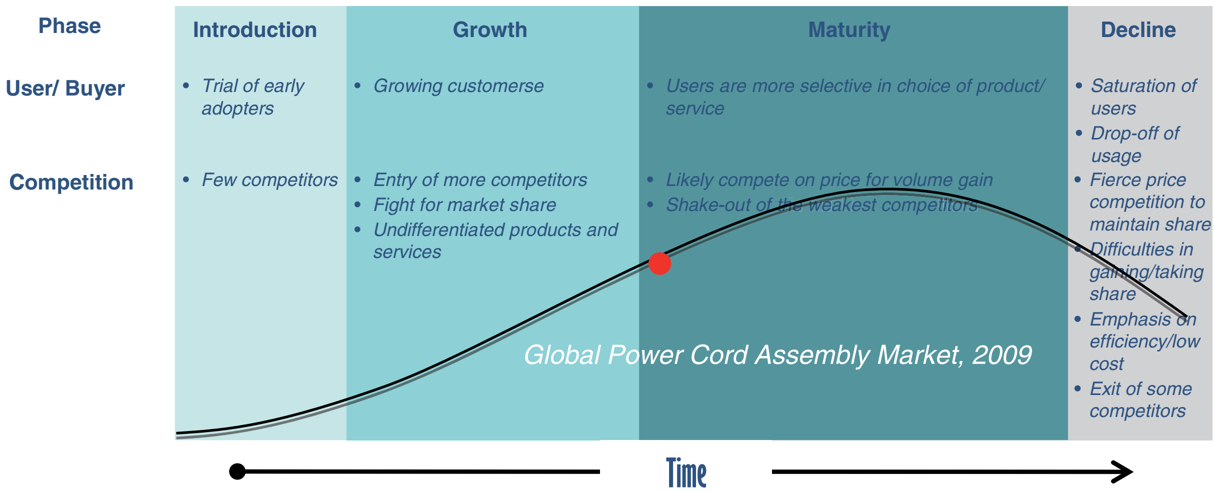
	Country	Abbreviation	Certification Mark
Power Supply Cord	China	CCEE	
	European Union	CENELEC CEE	
	Germany	VDE TUV	
	Netherlands	KEMA	
	Switzerland	SEV	
	Sweden	SEMKO	
	Norway	NEMKO	
	Denmark	DEMKO	
	Finland	SFS	

Source: Frost & Sullivan

Industry Life Cycle

The global power cord assembly market now has entered the early maturity stage and is forecasted to remain in the early maturity industry life cycle in at least the next few years. Its life cycle will be extended through product innovations, such as new types of power cord assembly which are more environmentally friendly and the continued stable market demand. The following chart sets forth the global power cord assembly industry life cycle:

Global Power Cord Assembly Market: Industry Life Cycle



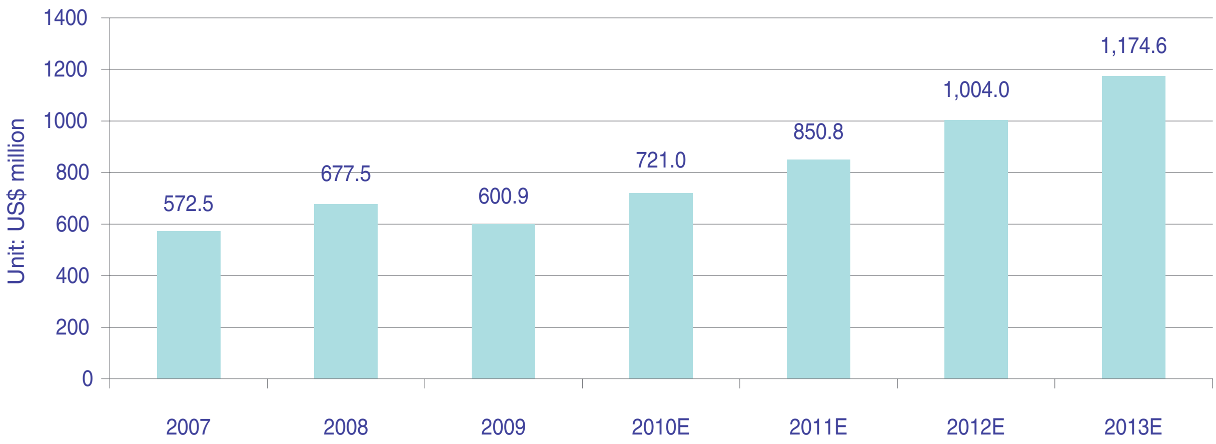
Source: Frost & Sullivan

The global power cord assembly market develops along with the increasing popularization of electronic appliances, such as computers, over the past few decades of the so-called information age. As an integral component of most electronic products, the demand for power cord assembly has been growing steadily. Some Taiwanese companies are among first to spot the market potential and they initiated the mass production of power cord assembly thus leading the power cord assembly market by enjoying most of the market share. Following the lead of these Taiwan companies, an increasing number of Chinese enterprises have joined the competition in recent years. A number of Chinese companies which focus on research and development and safety standard improvement have become very competitive participants in the market. According to Frost & Sullivan, future competition of the global power cord assembly market will focus on cost and ability to meet safety requirements, and miniaturized and user-friendly products are expected to drive future demand.

Market Size

The following chart sets forth the historical and expected global power cord assembly market size by revenue from 2007 to 2013:

Global Power Cord Assembly Size by Revenue, 2007-2013

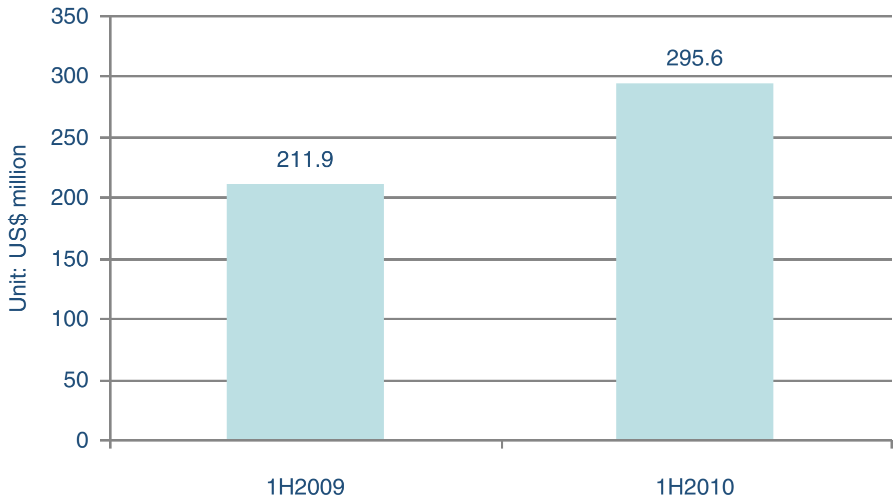


Note: All data are rounded.

Source: Frost & Sullivan

The following chart sets forth the global power cord assembly market size by revenue in the first half of 2009 and 2010. The sales of the global power cord assembly market reached US$295.6 million in the first half of 2010, representing an increase of 39.5% as compared to the same period in 2009.

Global Power Cord Assembly Market Size by Revenue, 1H2009-1H2010



Note: All data are rounded.

Source: Frost & Sullivan

Prior to 2009, the global power cord assembly market grew steadily at an annual growth rate of about 18.0% from 2007 to 2008. The global economic crisis had a significant impact on the power cord assembly market in 2009 and the total sales declined in that year. With the recovery of the global economy underway, it is expected that the growth trend for the home appliances and electronics industries will resume and continue. Benefiting from this trend, the global power cord assembly market is estimated to continue to grow in the future, with a projected CAGR of 18.2% from 2009 to 2013.

Key Industry Growth Drivers

The key factor contributing to the growth of the global power cord assembly market is the growth of consumer electronics and other electrical products markets. Continuous development of downstream consumer electronics and other electrical products markets will drive the development of the global power cord assembly market. A long-term relationship will exist between power cord assembly manufacturers and their customers and it is believed that such relationships will have significant mutual benefits for both power cord assembly manufacturers and their customers.

Future Outlook

According to Frost & Sullivan, the key trends for the global power cord assembly market include:

- Power cord assembly is essential to daily life. As the global economy recovers and the living standards improve, electronic products such as computers will be upgraded at faster pace in order to attract more and more customers. As demands for electronic products grow, sales of power cords assembly will increase.

- Main growth opportunity for power cord assembly manufacturer is the increased usage of environment-friendly materials. More and more consumer electronics manufacturers are focusing on the environmental issues and they tend to choose such manufacturers with adequate capability to produce more environmentally friendly power cord products.
- Product-focused technology innovation will help manufacturers exercise effective cost controls. Meanwhile, the development of materials and manufacturing technologies and processes will result in enhanced product safety and improved product quality.

Competitive Landscape

According to Frost & Sullivan, competition in the global power cord assembly market is mainly based on product safety, cost, sales channel and customer relations.

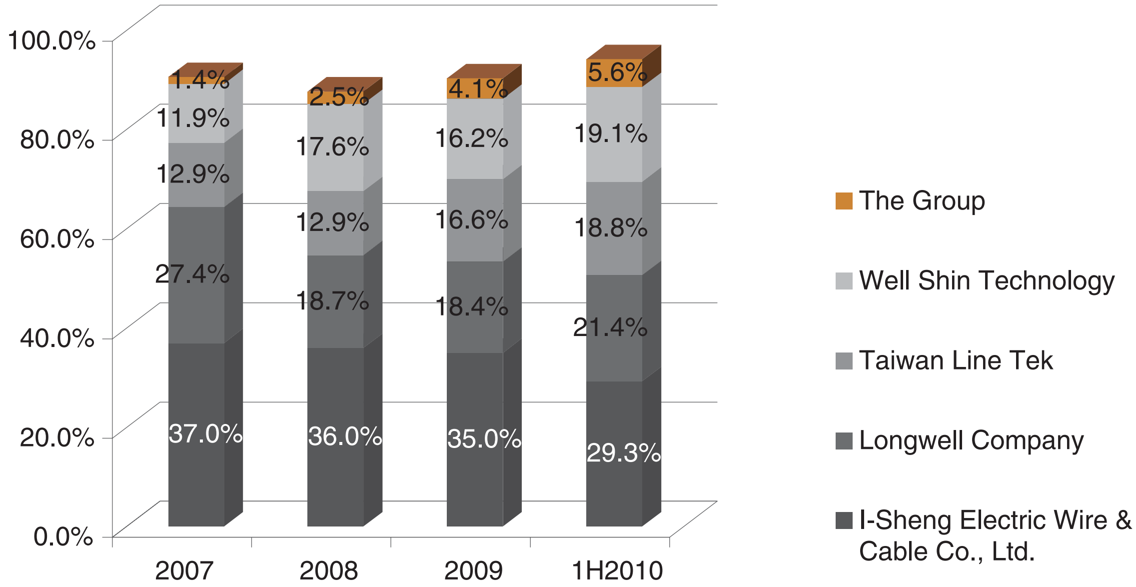
Below is a brief summary of the key attributes of the competitive landscape of the global power cord market in 2009:

Tiers of Competitors	● Large-scale manufacturers provide power cord assembly for a wide range of applications including computers, telecommunications, consumer electronics and home appliances. Their products are able to meet safety standard certifications for many countries. A wide variety of environment-friendly materials have been applied in the manufacture of power cord assembly to ensure energy conservation. ● Medium-scale manufacturers pay attention to the safety standard certifications. They offer a limited types of power cord assembly in specific markets. ● Small-scale manufacturers supply low-price products. They generally do not focus on the safety standard certifications and environmental protection requirements.
Degree of Competition:	Medium
Key Applications	● PC ● Display ● Notebook ● LCD and LED TV

According to Frost & Sullivan, the global power cord assembly market is highly concentrated with the top 5 manufacturers accounting for 90.3% and 94.2% of the total revenue of the market in 2009 and the first half of 2010, respectively. According to Frost & Sullivan, the Group ranked fifth with 4.1% and 5.6% market share in terms of revenue in 2009 and the first half of 2010, respectively, and with a three-year CAGR of 77.5%, the Group had highest growth rate among the top 5 manufacturers from 2007 to 2009. In addition to our Company, the other top 5 manufacturers in the global power cord assembly market in 2009 include (i) I-Sheng Electric Wire & Cable CO., Ltd, a Taiwan-based company that engages primarily in the manufacture and distribution of power cord assembly, connectors, power cables and network wires; (ii) Longwell Company, a Taiwan-based company that engages primarily in the manufacture of electronic components and cable products; (iii) Taiwan Line Tek Electronic Co., Ltd., a Taiwan-based company that engages primarily in the manufacture of a comprehensive range of plugs with a large variety of power cord assembly products for use in computers, telecommunications, consumer electronics, power tools, lighting and medical equipment; and (iv) Well Shin Technology Co., Ltd., a Taiwan-based company that specializes in the manufacture of power supply wiring products.

The following chart sets forth the market share information of the top 5 manufacturers in the global power cord assembly market in 2007, 2008, 2009 and the first half of 2010.

Global Power Cord Assembly Market: Market Share by Revenue, 2007 – 1H2010



Note: All data are rounded
Source: Frost & Sullivan

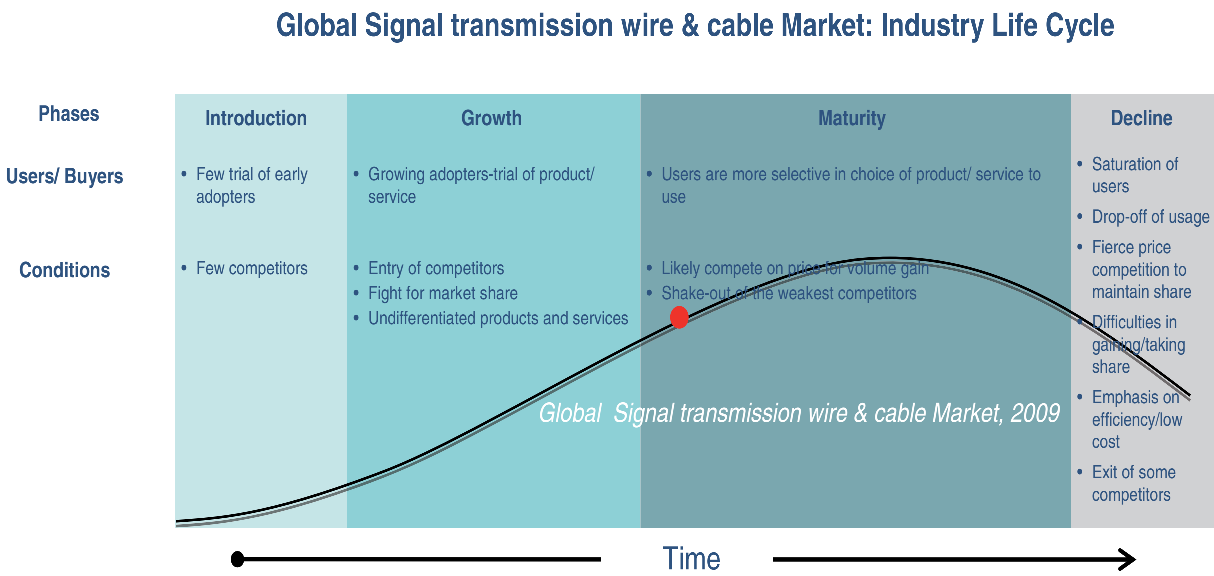
GLOBAL SIGNAL TRANSMISSION WIRE & CABLE MARKET

Introduction

Signal transmission wire & cable is an intermediate product which needs to be assembled with a connector to become a cable assembly product. The main types of signal transmission wire & cable products include, among others, communication cable, consumer electronics cable, notebook internal interconnecting cable and automotive cable.

Industry Life Cycle

The global signal transmission wire & cable market was originated from the mid-nineteenth century, and now has entered the early mature stage. It is forecasted that the current global signal transmission wire & cable market will remain in the early maturity industry life cycle in at least the next few years but its life cycle could be extended through product innovation such as new types of wire & cable, with capability such as heat and corrosion resistance and higher transmission capacity, and the continued stable market demand. The following chart sets forth the signal transmission wire & cable industry life cycle:



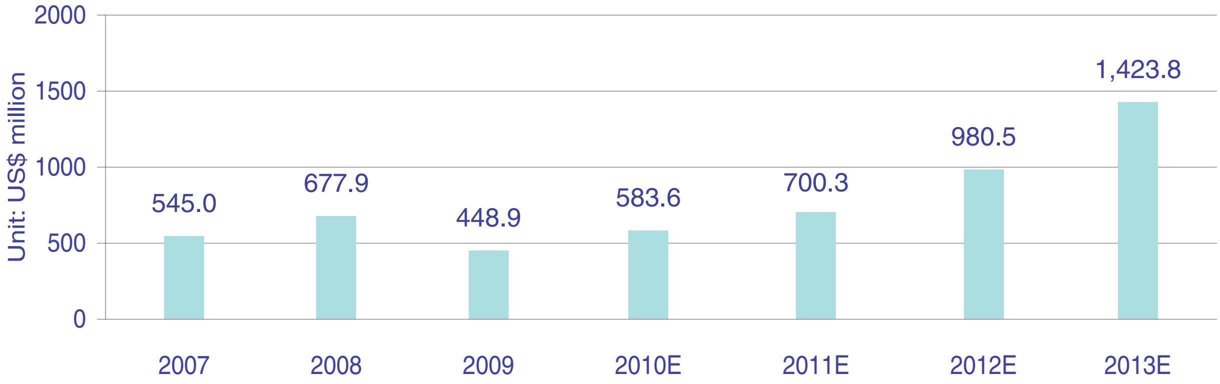
Source: Frost & Sullivan

Signal transmission wire & cable can be used for communication assembly, consumer electronics assembly, portable internal signal assembly and automotive wiring harness. These industries have undergone rapid development globally, especially in China. For example, the development of Internet of Things in China will lead to the further development of network television and digital products. According to Frost & Sullivan, it is likely that China will witness stronger demand for high frequency data type of communication cable in the next few years.

Market Size

The following chart sets forth the historical and expected global signal transmission wire & cable market size for the global consumer electronics market by revenue from 2007 to 2013:

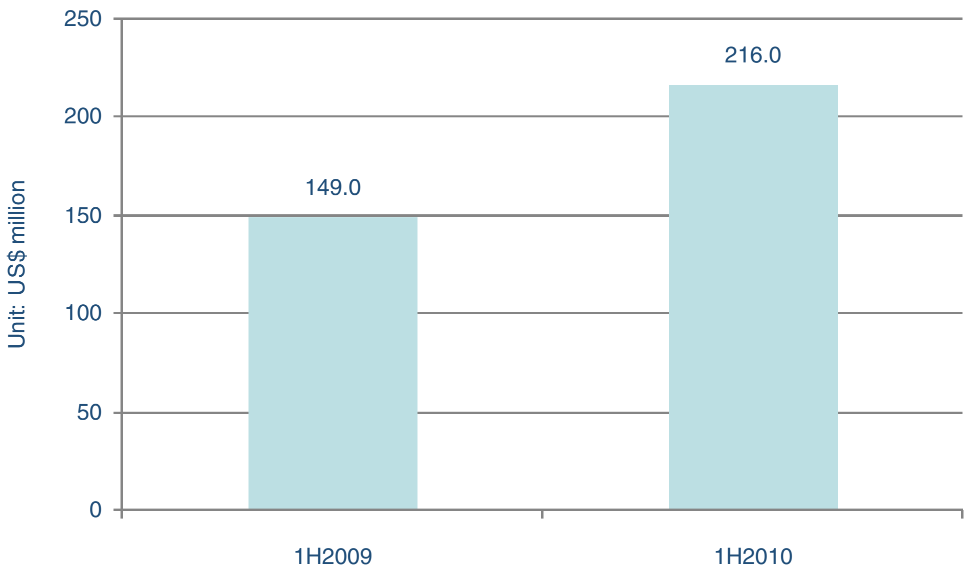
Global Signal Transmission Wire & Cable Market Size by Revenue, 2007-2013



Note: (1) The wire & cable market refers to wire & cable products used in consumer electronics.
(2) All data are rounded.
Source: Frost & Sullivan

The following chart sets forth the global signal transmission wire & cable market size for the global consumer electronics market by revenue in the first half of 2009 and 2010. The sales of such global signal transmission wire & cable market reached US$216.0 million in the first half of 2010, representing an increase of 45.0% as compared to the same period in 2009.

Global Signal Transmission Wire & Cable Market Size by Revenue, 1H2009-1H2010



Note: (1) The wire & cable market refers to signal transmission wire & cable products used in consumer electronics.
(2) All data are rounded.
Source: Frost & Sullivan

The global economic crisis had a significant negative impact on the signal transmission wire and cable market in 2009 and the total sales declined substantially in that year. In the future, with the recovery of the global economy, growth in downstream industries will resume and continue, and thus the demands for signal transmission wire & cable will increase. According to Frost & Sullivan, the CAGR for the global signal transmission wire & cable market is anticipated to reach 33.5% from 2009 to 2013.

Key Industry Growth Drivers

Major factors contributing to the growth of the global signal transmission wire & cable market include:

- ***Many industries are likely to grow due to global economic recovery.*** Many developed and developing economies are in the process of recovering. As the global economy recovers, the growth of many downstream industries of the signal transmission wire & cable market is expected to resume and continue.
- ***The development of Internet of Things will promote the network television and digital products.*** Since IBM's "Smart Earth" concept emerged, Internet of Things has been widely accepted over the world. Continued development of network televisions and digital products are generating new opportunities for the signal transmission wire & cable market.

Future Outlook

According to Frost & Sullivan, the key trends for global signal transmission wire & cable market include:

- ***Global signal transmission wire & cable market is likely to maintain a sustainable growth in the next four years.*** With the global economy recovering, most industries are expected grow again, and the signal transmission wire & cable market is expected to benefit from this trend and have a sustainable growth in the next four years.
- ***The price of signal transmission wire & cable is expected to remain competitive.*** There are manufacturers emerging from China exhibiting their cost-effective advantages in recent years. In order to acquire more orders from consumers, many manufacturers have started to compete on price.
- ***The development of applications raises requirements in terms of technology.*** In the future, the development of applications will require improvements in technology and signal transmission wire & cable products will be required to support the higher frequency transmission and application upgrading.

Competitive Landscape

According to Frost & Sullivan, competition in the global signal transmission wire & cable market is mainly based on level of technology, the scope and breadth of product line, ability to exercise effective cost controls and customer services.

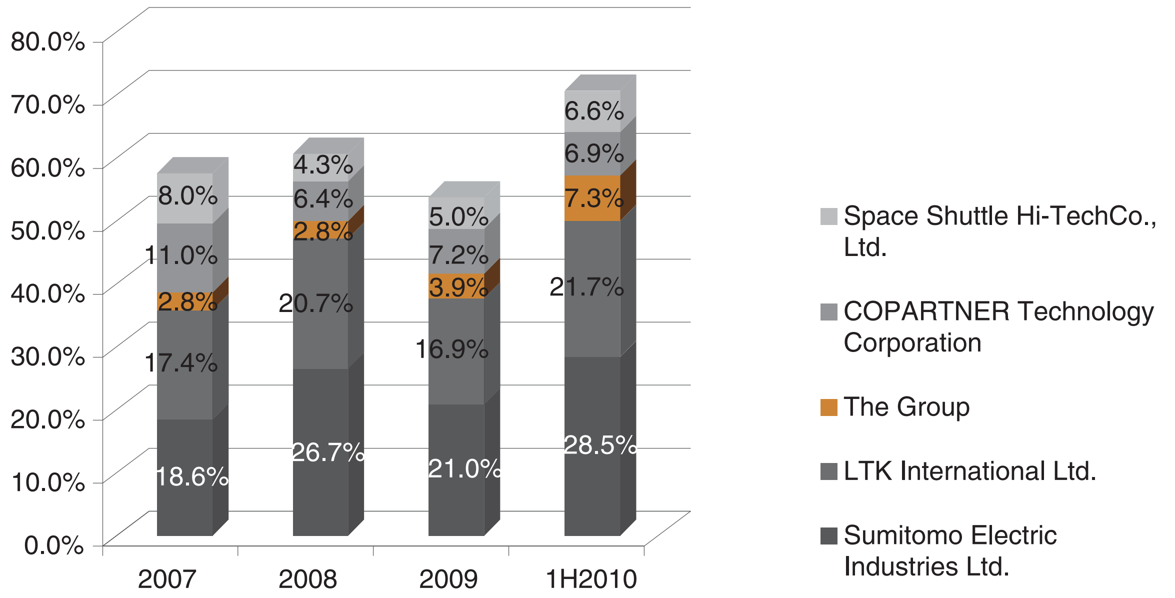
Below is a brief summary of the key attributes of the competitive landscape of the global signal transmission wire & cable market for the consumer electronics industry in 2009:

Tiers of Competitors	● Large-scale manufacturers are mostly positioned in the medium-end and high-end market, where product quality is better and margin is favorable. Some of them provide low-end products only when the amount of orders reaches a certain level. With a strong research and development capability, large-scale manufacturers are well-positioned to grasp market opportunities as requirements from customers change.
	● Medium-scale manufacturers participate in the medium-end market while trying to move to high-end market. However, high-end products require advanced technology and considerable capital investments in equipment, which presents significant barriers for them to enter the high-end market. Medium-scale manufacturers have general research and development capability.
	● Small-scale manufacturers provide low-end products with lower value-added services. Many manufacturers only focus on a single product line and they typically have poor research and development capability.
Degree of Competition:	Low
Key Applications	● Signal cable assembly

According to Frost & Sullivan, the global signal transmission wire & cable market is fairly concentrated with the top 5 manufacturers accounting for 54.0% and 71.0% of the total revenue of the market in 2009 and the first half of 2010, respectively. According to Frost & Sullivan, the Group ranked fifth with 3.9% of market share in terms of revenue in 2009 and third with 7.3% of market share in terms of revenue in the first half of 2010 and, the Group grew at a CAGR of 7.7% from 2007 to 2009, while the other top 4 manufacturers in 2009 experienced a decline in revenue for the same period. In addition to our Company, the other top 5 manufacturers in the global signal transmission wire & cable market in 2009 include (i) Sumitomo Electric Industries Ltd, a Japan-based company with principal businesses in cables, mechanical materials and energy; (ii) LTK International Ltd., a Hong Kong-based company that specializes in wire & cable products; (iii) COPARTNER Technology Corporation, a Taiwan-based company that engages primarily in the manufacture and distribution of cable products; and (iv) Space Shuttle Hi-Tech Co., Ltd., a Taiwan-based company that engages primarily in the manufacture, development and distribution of cables and related assembly products for use in computer, communication and consumer electronic products.

The following chart sets forth the market share information of the top 5 manufacturers in the global signal transmission wire & cable market in 2007, 2008, 2009 and the first half of 2010.

Global Signal Transmission Wire & Cable Market: Market Share by Revenue, 2007 – 1H2010



Note: All data are rounded
Source: Frost & Sullivan

GLOBAL CONNECTOR MARKET

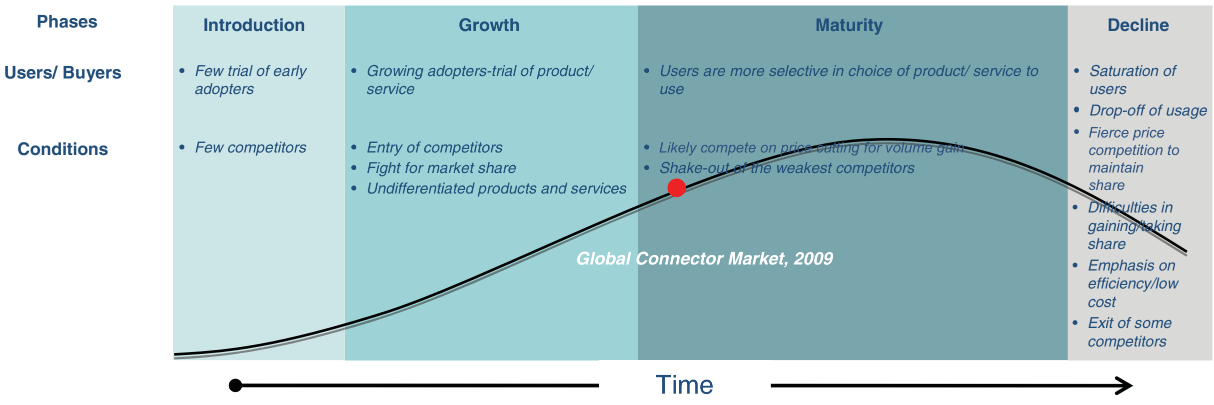
Introduction

Connector is used for connecting two electronic parts to transmit power or signals, and maintains the non-occurrence of signal distortion and energy loss changes. Connector is applied in a wide range of industries such as consumer electronics, automotive and household appliances. Connector can be divided into two types, which are board-side connector and terminal connector. Board-side connector is installed in electrical and electronic product itself, and welded in PCB while terminal connector is welded in wire. The product types of connector include, among others, HDMI connector, DVI connector, SATA connector, USB connector and VGA connector.

Industry Life Cycle

The current global connector market is expected to remain in the early maturity industry life cycle in at least the next few years but its life cycle will be extended through innovation of consumer electronic products. The following chart sets forth the connector industry life cycle:

Global Connector Market: Industry Life Cycle

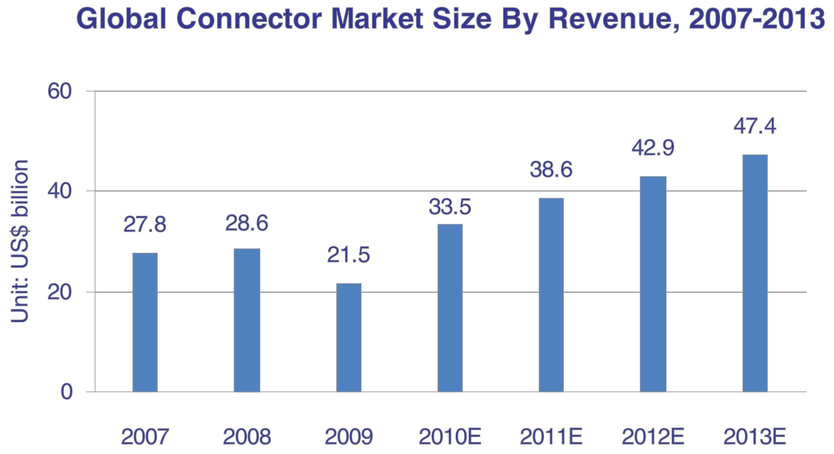


Source: Frost & Sullivan

With the increasing development of global economy, the global connector market has grown rapidly. At present, connector is widely adopted by the computer, communication, automotive, home appliance, aviation and military industries. The fluctuations in the development of the global economy have impacted the growth rate of the connector market. However, with the rapid development of the computer & communication industry and the emergence of new application areas, the connector market will have potential for future growth. There are about 40,000 connector manufacturers worldwide. In order to win orders, many manufacturers expand scale through mergers and acquisitions. According to Frost & Sullivan, the connector market will gradually be dominated by a few major manufacturers.

Market Size

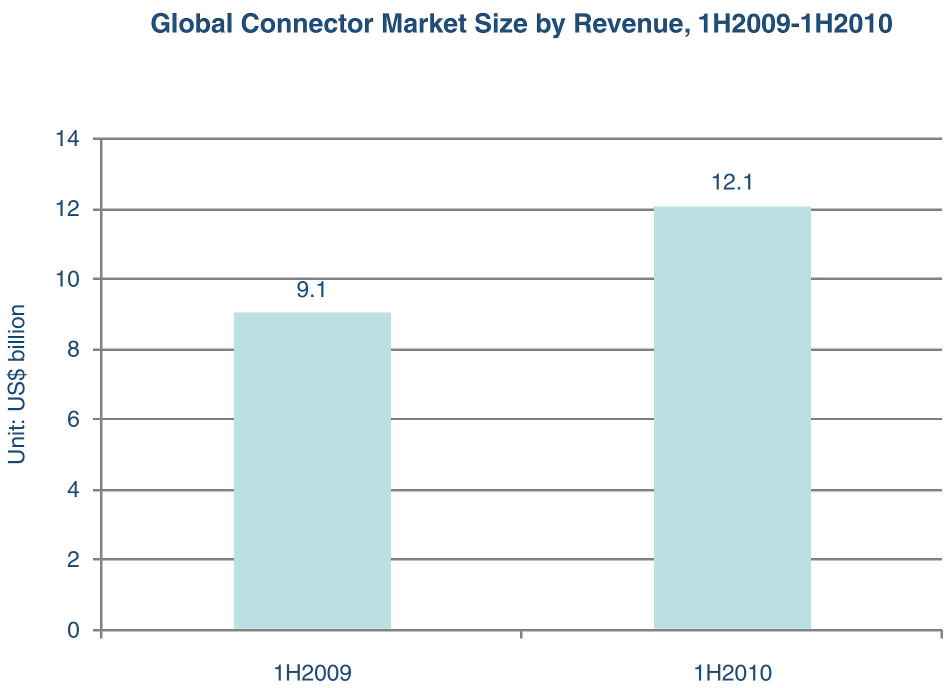
The following chart sets forth the historical and expected global connector market size by revenue from 2007 to 2013:



Note: (1) The connector market refers to automotive, computer & computer peripherals, communication and consumer electronics.
(2) All data are rounded.

Source: Frost & Sullivan

The following chart sets forth the global connector market size by revenue in the first half of 2009 and 2010. The sales of such global connector market reached US$12.1 billion in the first half of 2010, representing an increase of 33.0% as compared to the same period in 2009.



Note: (1) The connector market refers to automotive, computer & computer peripherals, communication and consumer electronics.
(2) All data are rounded.

Source: Frost & Sullivan

Due to the global economic crisis, the global connector market experienced a slowdown in growth in 2008 and a decline in 2009 in terms of market size by revenue. With the global economy recovering, many industries including the global automotive industry, in particular, the Chinese automotive market, the global communication industry and the consumer electronics industry are expected to demonstrate growth. According to Frost & Sullivan, the global demand for connector is forecasted to grow at a CAGR of 21.9% from 2009 to 2013, reaching US$47.4 billion in 2013.

Key Industry Growth Drivers

Major factors contributing to the growth of the global connector market include:

- ***Many industries are likely to recover from the recent global downturn:*** National economies of many developed or developing countries are recovering and many industries are expected to benefit from such recovery.
- ***Connector manufacturers are expected to expand production scale:*** Given the global economic recovery, many connector manufacturers are actively preparing to expand production scale and improve product lines.
- ***The growth rate of consumption demand will pick up gradually:*** Automotive, electronics and computer consumption will pick up, especially in China whose government has introduced preferential policies to stimulate consumption.
- ***Applications are expected to grow richer:*** In addition to the existing applications, new applications will emerge due to the development of more advanced technologies.

Future Outlook

According to Frost & Sullivan, the key trends for the global connector market include:

- ***The global connector market is likely to witness strong growth.*** Given the global economic recovery, most electronic product industries have started to grow, which will drive the market growth of connectors. It is forecasted that the global connector market will witness a CAGR of 21.9% in terms of revenue from 2009 to 2013.
- ***China to be a major market.*** In the recent past, China's connector market generated a growth rate of 15.0% from 2007 to 2009 which surpassed the global average market growth rate. Due to the economic recession, the top connector manufacturers in the world increased their investments in China because of the higher demands and lower production costs in China, which will accelerate the development of the Chinese connector market.
- ***Applications of connector will expand.*** In the past, the top 5 applications, such as automotive, computer & computer peripherals, communication, industrial equipment and aviation/military, dominated the majority of application fields for connectors. In future, other applications, such as medical, are expected to rise. In addition, the application of connector will expand for each specific industry; taking automotive industry as an example, one vehicle will use 600-1,000 connectors or even 1,000-2,000 connectors.
- ***The development of applications raises technical requirements.*** In recent years, with the development of electronic products, such as notebook, mobile handset, digital camera and so on, the electronic products tend to be lighter, thinner, shorter, smaller and with higher-speed transmission. Therefore, many connector manufacturers strive to develop products with high-speed transmission and other advanced technical features.

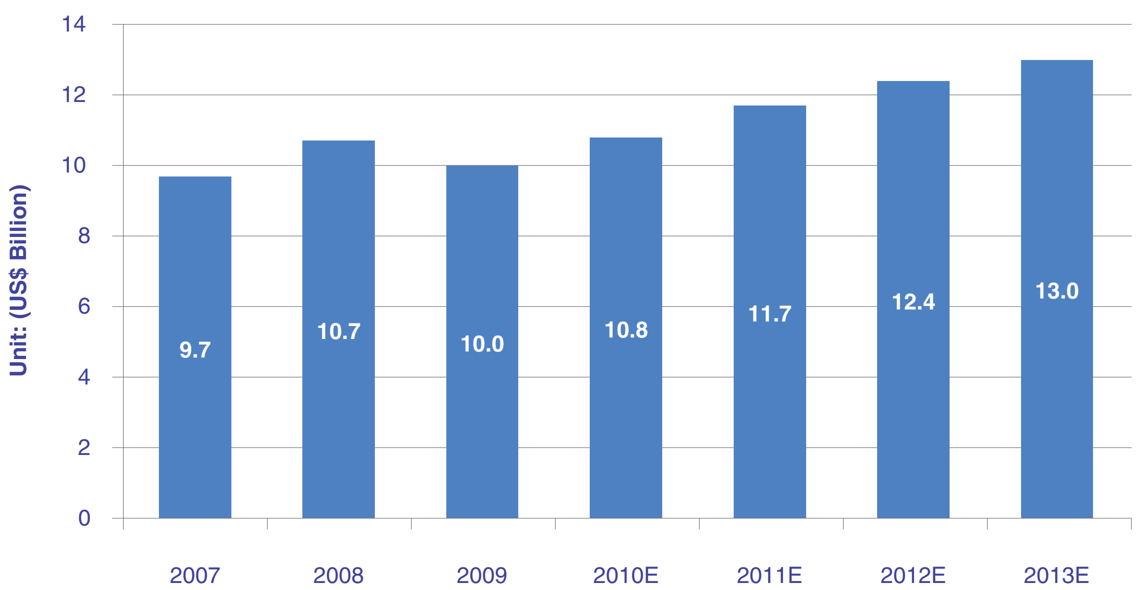
INDUSTRY OVERVIEW OF OUR NEW/FUTURE TARGET MARKETS

Antenna Market

Wireless communication antenna refers to those products adopted in communication systems. Small antenna refers to those products adopted in notebook, router, GPRS and mobile handsets and so on. Big antenna refers to base station antenna, microwave antenna, ceiling mount antenna and indoor antenna, etc.

Overall sales in the global antenna market were US$10.7 billion in 2008, which declined to US$10.0 billion in 2009 due to the global economic recession. However, according to Frost & Sullivan, overall sales are projected to reach US$13.0 billion in 2013, representing a CAGR of 6.8% from 2009 to 2013. The following chart sets forth the historical and expected sales of the global antenna market from 2007 to 2013.

Global Antenna Market Size by Revenue, 2007-2013



Note: All data are rounded.
Source: Frost & Sullivan

Key drivers for the antenna market include:

- **The rapid development of wireless communication technology and terminal units boosts the antenna market.** With different wireless communication technologies having emerged, the rapid development of global terminal units of wireless communication boosts the antenna market. Since 2006, the shipment of terminal antenna has been over one billion every year. In addition, because of the advantages such as small size, ability to support movement at high speed, high communication stability and ability to support various technologies of wireless connection, terminal antenna has been adopted in applications such as mobile handsets, automobiles, logistics, sensors and surveillance systems.

- **Increased demand for mobile handset drives the antenna market.** In 2009, the global shipment of mobile handset reached 1.2 billion units, and this resulted in a demand for mobile terminal antenna of 2.0 billion units, representing 87.2% of global demand for terminal antenna. With the continuous growth in demand for mobile handset globally, this will drive the demand for antenna going forward.

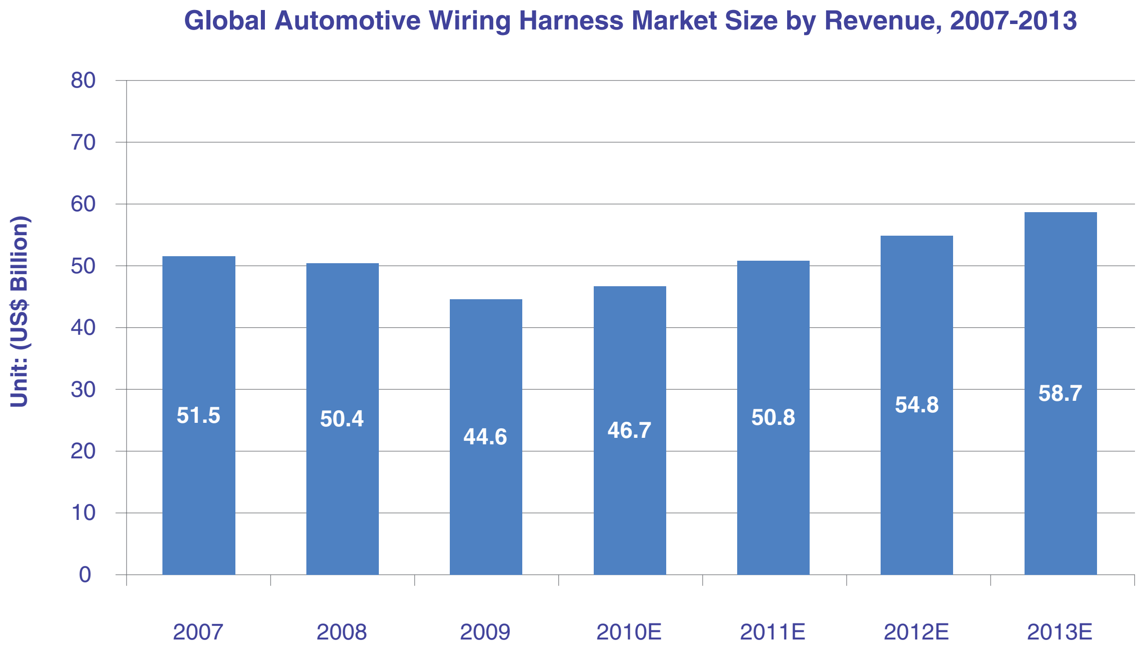
- **Increased demand for the wireless access function of notebook computer and netbook spurs the wireless communication antenna market.** Wireless internet connectivity is now a standard feature of notebook computer and netbook. With increased demand for wireless transport function of notebook computer and netbook, WiFi antenna and bluetooth antenna are expected to become part of a standard configuration for notebook computer and netbook in the future.

Automotive Wiring Harness Market

Automotive wiring harness refers to an array of insulated conductors bound together by lacing cord, metal bonds or other binding in an arrangement suitable for use in automobiles.

Competitive Landscape

Though the global automobile market witnessed a decline in 2009 due to the economic crisis, it is expected to recover in 2010 and according to Frost & Sullivan, overall sales are projected to reach US$58.7 billion in 2013, representing a CAGR of 7.1% from 2009 to 2013. The following chart sets forth the historical and expected sales of the global automotive wiring harness market from 2007 to 2013.



Note: All data are rounded.
Source: Frost & Sullivan

Foreign-funded manufacturers in China accounted for 90% of the automotive wiring harness market and the majority of the automotive wiring harness industry is consisted of foreign-funded manufacturers.

Market Drivers

Key drivers for the global automotive wiring harness market include:

- **Increasing production of automobiles is likely to boost the automotive wiring harness market.** With the global economic recovery, automobile market also witnesses trends of recovery. Driven by China's automobile rapid development, the global automobile market obtains a rapid growth in production. It is forecasted that the global automobile production will grow at a CAGR of 8.7% from 2009 to 2013.
- **Increased demand of international market promotes the exports of automotive wiring harness.** The continued development of China's automotive wiring harness industry will drive both domestic and foreign demands. In 2005, China's export of automotive wiring harness products was 149,000 tons. Such export reached 249,000 tons in 2009, generating sales of US$2.3 billion.

Specialty Power Cable Market

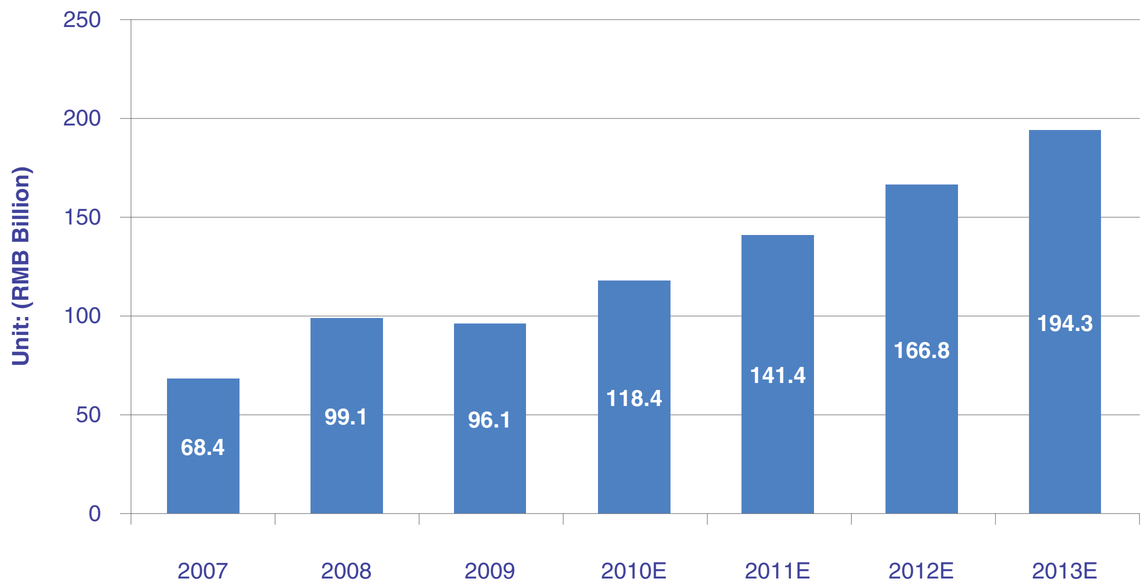
Specialty power cable refers to power cables with such special attributes as anticorrosion, high-temperature resisting, anti-bending, oil resistant and anti-aging.

Competitive Landscape in China

According to Frost & Sullivan, overall sales in China's specialty power cables market were RMB96.1 billion in 2009. With the demand of solar cables, ship board cables, wind power cables and railway rolling stock cables experiencing fast growth, Frost & Sullivan forecasts that the market will reach RMB194.3 billion in 2013, representing a CAGR of 19.2% from 2009 to 2013.

The following chart sets forth the historical and expected sales of China's specialty power cable market from 2007 to 2013.

China's Specialty Power Cables Market Size by Revenue, 2007-2013



Note: All data are rounded.
Source: Frost & Sullivan

Market Drivers

Key drivers for China's specialty power cable market include:

- **With the increasing pressure from environment, wind power and solar power attract more attention.** There is growing awareness of wind power and solar power in China. Wind power is one of the renewable energies with the most business potential and is known for its vigor, cleanness, low-cost and infinity. The wind power industry has developed rapidly in recent years, which drives the growth of the wind power cable market. Solar power is also attractive because of its less pollutive.

- **The rapid development of the Chinese shipbuilding industry brings new opportunity for ship equipment manufacturers.** As the third largest shipbuilding country in the world, China has made great progress in its shipbuilding industry and brought new opportunities for ship board cables manufacturers.

- **China's booming cities promote the construction of subway.** Given the economic boom experienced by many cities in China, China's specialty power cable market will grow rapidly in the next 3 to 5 years as the construction of subway will drive up the demand for subway rolling wire & cable.

- **Cables for photovoltaic use.** Owing to the rapid development of photovoltaics, photovoltaics power cables have special features including antiaging and anticorrosion, and will be widely used.

Solar Connector Market

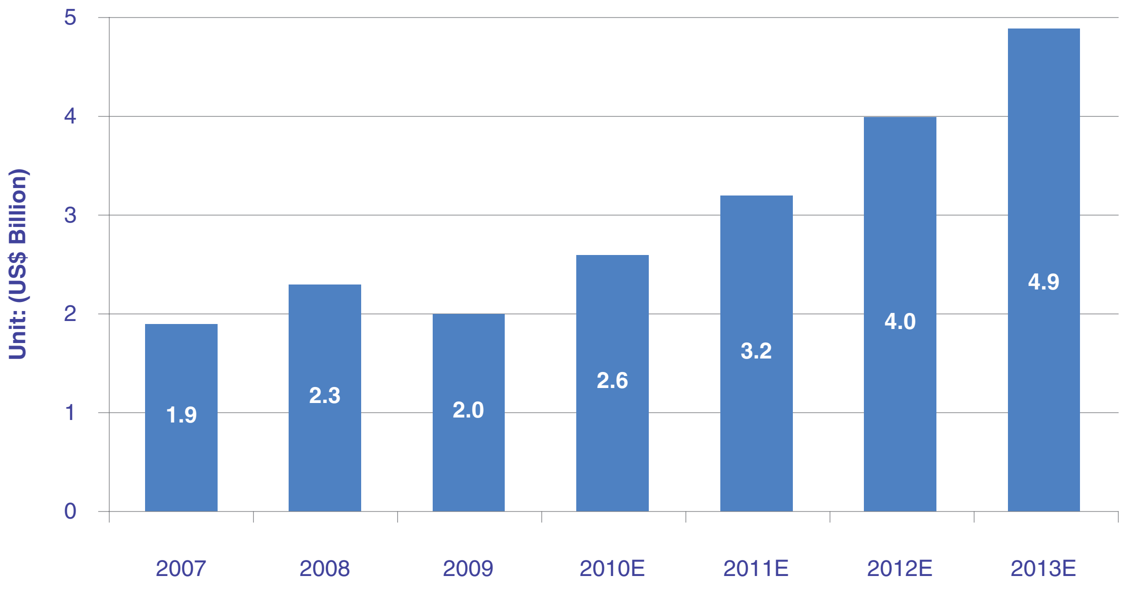
Solar connector is used to accommodate serial and parallel connection of photovoltaic wafer used in the solar power generation systems.

Competitive Landscape

The enormous potentials of the photovoltaic power market are still being developed and currently greatly depend on governmental support. In the future, the application will gradually shift from government to private sectors. Solar connector is an essential component widely used for photovoltaic power. According to Frost & Sullivan, by 2013, the global solar connector market is likely to reach US$4.9 billion with a CAGR of 25.1%.

The following chart sets forth the historical and expected sales of the global solar connector market from 2007 to 2013.

Global Solar Connector Market Size by Revenue, 2007-2013



Note: All data rounded.
Source: Frost & Sullivan

Market Drivers

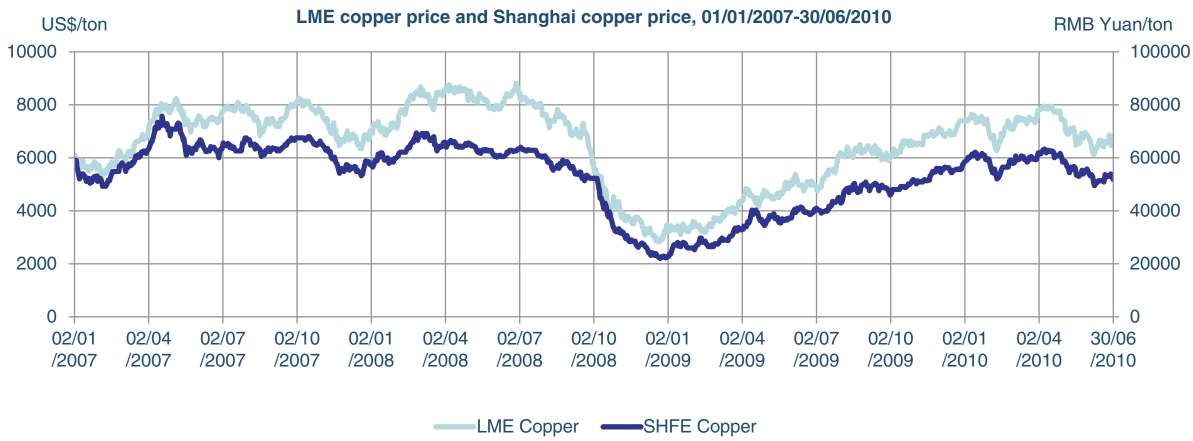
Key drivers for the solar connector market include:

- **Government policies support market development.** As a new energy, the solar photovoltaic industry receives more support from the PRC government, such as Golden Sun project, whereby the PRC government has committed to supporting the development of the solar photovoltaic industry with financial subsidies and plans to build the demo project of 500 megawatts photovoltaic power nationwide within two to three years. In addition, the interim standard of governmental allowance for photovoltaic power producers is RMB20 per watt.

- **Cope with the Green IT trend.** Solar, wind and other green and renewable energies have become increasingly accepted. Solar connector with green and environmental protection concepts is likely to experience a sustainable development.

Analysis of Copper Price

Copper is the Company's major raw material and the following chart sets forth the historical price information of copper on the London Metals Exchange and the SHFE during the Track Record Period:



Note: All data are rounded.
Source: Wind Info

The global copper price data refer to those quoted on the LME. The global price of copper climbed up to US$9,000 per tonne in early 2008 and then decreased to US$2,000 per tonne by the end of 2008. The copper price gradually rose to US$7,000 per tonne starting from 2009.

Chinese copper price data are based on the copper prices quoted on the SHFE. The Chinese price of copper climbed up to RMB74,000 per tonne in April 2007 and then decreased to RMB25,000 per tonne by the end of 2008. The Chinese copper price gradually rose to RMB58,000 per tonne starting from 2009.

The sharp drop in copper prices in the second half of 2008 was mainly due to the impact of the global economic crisis. Given the downturn of most industries, the demands for copper materials dropped rapidly. Driven primarily by China's economic recovery since 2009, the copper prices rebounded as a result of the increasing demand for copper materials.

REGULATORY OVERVIEW

Our business activities are principally based in the PRC. We are therefore required to comply with a number of PRC laws and regulations to carry out our operating activities. The relevant PRC laws and regulations applicable to the business of the Company and its PRC subsidiaries are set out below.

LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT

The establishment and management of companies in the PRC are governed by the Company Law of the PRC (中華人民共和國公司法) (the "Company Law") which was enacted by the Standing Committee of the National People's Congress (全國人民代表大會常務委員會) (the "Standing Committee of NPC") on 29 December 1993 and was implemented on 1 July 1994. The Standing Committee of NPC amended the Company Law on 25 December 1999, 28 August 2004 and 27 October 2005 respectively. The Company Law provides the establishment, corporate structure and corporate management of companies. The Company Law also applies to foreign-invested enterprises. Where laws and regulations relating to foreign-invested enterprises otherwise stipulate, such stipulations shall apply.

Sino-foreign equity joint ventures are also governed by the Law on Sino-Foreign Equity Joint Ventures of the PRC (中華人民共和國中外合資經營企業法) (the "JV Law") and its implementation rules. The JV Law was adopted at the Second Meeting of the Fifth National People's Congress (第五屆全國人民代表大會第二次會議) on 1 July 1979 and revised on 4 April 1990 and 15 March 2001 respectively. Wholly foreign-owned enterprises are also governed by the Law on Foreign-owned Enterprises of the PRC (中華人民共和國外資企業法) (the "Foreign-owned Enterprise Law") and its implementation rules. The Foreign-owned Enterprises Law was adopted at the 4th Meeting of the Sixth National People's Congress (第六屆全國人民代表大會第四次會議) on 12 April 1986 and was amended by the Standing Committee of NPC on 31 October 2000. The establishment procedures, approval procedures, registered capital and corporate structure of sino-foreign equity joint ventures and wholly foreign-owned enterprises are regulated by the above mentioned laws and regulations. As Weihai Electronic is a wholly foreign-owned enterprise and Weihai Cable, Changshu Connecting-Technology, Changshu Electronic, Changshu Cable, Dezhou Electronic, Wuhan Electronic are sino-foreign equity joint ventures, they shall abide by these laws.

Foreign investors shall also abide by Guidance Catalog of Industries for Foreign Investment (外商投資產業指導目錄) (the "Catalog") and the Regulation on Guiding the Direction of Foreign Investment (指導外商投資方向規定) (the "Regulation"). The Catalog was promulgated on 28 June 1995 and was revised in 1997, 2002, and 2004. The currently effective Catalog was promulgated by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) (the "NDRC") on 31 October 2007, while the Regulation was promulgated by the State Council on 11 February 2002 and effective as of 1 April 2002. The Regulation classifies industries into four categories: encouraged, permitted, restricted and prohibited. Except otherwise stipulated by other laws and regulations, foreign investors are permitted to invest in industries which are not in the restricted or prohibited categories.

The Ministry of Commerce or the relevant local authorities are responsible for approving the relevant joint venture contracts, articles of association of the foreign invested enterprises and other substantial changes to the foreign-invested enterprises, such as changes in capital, equity transfer and consolidation. The Company's PRC subsidiaries have obtained all the necessary government approvals.

The PRC legal advisor of the Company, Deheng Law Firm, is of opinion that, in accordance with the currently effective Catalog and the Regulation, the industries in which our PRC subsidiaries engage are permitted for foreign investment.

The Directors confirmed, and the local government authorities supervising foreign investment certify that, since the establishment, our PRC subsidiaries have complied with the relevant laws and regulations relating to foreign investment without any penalties due to violation of the relevant laws and regulations relating to foreign investment.

LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

The principal law governing foreign currency exchange in the PRC is the Regulation of the PRC on Foreign Exchange Administration (中華人民共和國外匯管理條例) (the Foreign Exchange Rules). The Foreign Exchange Rules was enacted by the State Council of the PRC (中華人民共和國 國務院) (the State Council) on 29 January 1996 and implemented on 1 April 1996. On 14 January 1997 and 1 August 2008 the State Council amended the Foreign Exchange Rules. According to the currently effective Foreign Exchange Rules, international payment in foreign exchange and transfer of foreign exchange under current items shall not be restricted. The foreign exchange income of a domestic institution or individual may be transferred back into the PRC or deposited overseas, the specific conditions and term requirements of which shall be determined by the foreign exchange administrative department of the State Council in light of the balance of payments and the foreign exchange administrative requirements. An overseas institution or individual that makes direct investments in the PRC shall handle the registration formalities at a foreign exchange administrative organ upon the approval of the competent department. A domestic institution or individual that makes direct investment or issues or trades negotiable securities or derivative products overseas shall handle the registration formalities at the foreign exchange administrative department of the State Council. If the relevant state provisions require the approval or registration of the competent department, such approval or registration shall be obtained before handling the registration formalities. As the capital injection from foreign shareholders into our PRC subsidiaries involves foreign exchange and the Company is engaged in exporting, the PRC legal advisor of the Company, Deheng Law Firm, is of opinion that such laws and regulations relating to foreign exchange shall apply to us and our PRC subsidiaries.

The Directors confirmed, and the local government authorities supervising foreign exchange certify that, since the establishment, the Company's PRC subsidiaries have complied with the relevant laws and regulations relating to foreign exchange without any penalties due to violation of the relevant laws and regulations relating to foreign exchange.

LAWS AND REGULATIONS RELATING TO DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends paid by PRC enterprise include (i) the Company Law; (ii) the Foreign-owned Enterprise Law; (iii) the Rules for Implementation of the Law of PRC on Foreign-owned Enterprise (中華人民共和國外資企業法實施細則); (iv) the JV Law and the Rules for Implementation of the Law of PRC on Sino-Foreign Equity Joint Ventures. Under the above laws and regulations, domestic companies and foreign-owned enterprises in the PRC may pay dividends only from accumulated after-tax profits, if any, determined in accordance with the PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds. These reserves are not distributable as cash dividends. Under the relevant PRC laws, no net assets other than the accumulated after-tax profits can be distributed in the form of dividends. The PRC legal advisor of the Company, Deheng Law Firm, is of opinion that as our PRC subsidiaries are established and operate business activities in the territory of the PRC, such laws shall be applicable to us.

The Directors confirmed, since the establishment, the Company's PRC subsidiaries have complied with the relevant laws and regulations relating to dividend distribution without any penalties due to violation of the relevant laws and regulations relating to dividend distribution.

LAWS AND REGULATIONS RELATING TO PRODUCT CERTIFICATION

The Administrative Regulations on Compulsory Product Certification (強制性產品認證管理 規定), which as promulgated by the State Administration for Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) on 3 July 2009, requires that products specified in certain catalogs must be certified and labeled with a certification sign before any sale, import or utilization in any other business activities. In addition, companies engaged in the manufacturing of the above mentioned products as listed in the 3C Catalog must obtain certification for their products and label their products with certification signs.

The PRC legal advisor of the Company, Deheng Law Firm, is of opinion that, according to the Catalog of the First Batch of Products subject to Compulsory Product Certificate (第一批實施強制性產品認證的產 品目錄) (the "3C Catalog"), which was jointly announced by the State Supervision Committee for Certification and Accreditation and the State Administration for Quality Supervision, Inspection and Quarantine of the PRC on 3 December 2001, certain products that are manufactured by the our PRC subsidiaries including wire, cable and connectors which are subject to Compulsory Product Certification, while the rest are not in need of certification, and all the necessary certifications required to meet the said regulations have been obtained by the our PRC subsidiaries.

LAWS AND REGULATIONS RELATING TO PRODUCT QUALITY

On 22 February 1993 the Standing Committee of NPC enacted Product Quality Law of the PRC (中華人民共和國產品質量法), which was revised on 8 July 2000 by the Standing Committee of NPC. The said law stipulates that producers shall be responsible for compensating for damages to the person or property caused by the following defective products. Where the case is severe enough to constitute a crime, criminal responsibility shall apply.

(a) The product sold does not have the attribute or function that it should have, and there was no advance explanation or statement made to that effect;

(b) The product sold does not comply with the adopted standards indicated on the product or its package; or

(c) The product sold does not comply with similar product quality as indicated by means of product instruction or sample.

On 7 November 1997 the former bureau of technical supervision of the State issued the Product Labeling Requirement (the "Requirement"). Pursuant to the Requirement manufacturers and sellers of products must properly label their products, for example, in respect of information on quality inspection certificates and address of the major manufacturing facilities.

The Directors confirmed, and the local government authorities supervising production quality certify that, since the establishment, our PRC subsidiaries have complied with the relevant laws and regulations relating to production quality without any penalties due to violation of the relevant laws and regulations relating to production quality.

MEASURES ON POLLUTION CONTROL OF ELECTRONIC INFORMATION PRODUCTS

According to the pollution control measures, poisonous and hazardous materials contained in the electronic information products must be controlled and shall not exceed the national and industrial limits. The importers and the manufacturers must indicate on the electronic information products the environment friendly use period, the specific poisonous and hazardous materials contained in such products and the packaging materials. The Directors confirmed that our PRC subsidiaries are complying with such requirements in its production.

Compulsory certification is required for products that fall into the Pollution Control Catalog of Electronic Information Products (電子信息產品污染控制重點管理目錄), which will be issued by the Certification and Accreditation Administration of the PRC. The first draft of this catalog has been published in October 2009 for public comment only and has not been officially promulgated. Until official guidelines are published, we do not know whether any of our products will be subject to compulsory certification.

According to our PRC legal advisor, Deheng Law Firm, as of the Latest Practicable Date, the Pollution Control Catalog of Electronic Information Products has not been officially promulgated and come into effect. Pursuant to the Procedures for Creating Pollution Control Catalog of Electronic Information Products, after the first draft of the catalog has been published for the public's consultation, the Ministry of Industry and Information Technology of the PRC will finalize the catalog with the National Development and Reform Commission, the State Environmental Protection Administration, the Ministry of Commerce, the General Administration of Customs, the State Administration for Industry and Commerce, and the Administration of Quality Supervision, Inspection and Quarantine before being submitted to the World Trade Organization for notification. Upon the completion of such notification, the catalog will be officially promulgated; however, there is no publicly announced timeframe as to when the catalog will be finalized, submitted to the World Trade Organization or promulgated.

LAWS AND REGULATIONS RELATING TO EXPORT OF PRODUCT

The Foreign Trade Law of the PRC (中華人民共和國對外貿易法), which was promulgated on 12 May 1994 and amended on 6 April 2004 by the standing committee of NPC, and the Measure for the Archival Filing and Registration of Foreign Trade Operators (對外貿易經營者備案登記辦法), which was promulgated by the Ministry of Commerce of the PRC on 25 June 2004, require that foreign trade operators who engage in the import or export of goods or technologies must register with the Ministry of Commerce of the PRC or another institution authorized by the Ministry of Commerce of the PRC. In addition, if a company imports or exports goods as consignee and consignor, it must register with local customs authority and obtain the PRC Customs Declaration Registration Certificate for Consignors and Consignees pursuant to the Provisions for the Registration of Customs Declaration Agents (中華人民共和國海關對報關單位註冊登記管理規定).

The PRC legal advisor of the Company, Deheng Law Firm, is of opinion that since the products that manufactured by our PRC subsidiaries involve exporting, such laws and regulations on export shall be applicable to our PRC subsidiaries. The Directors confirmed, and the local government authorities supervising export of product certify that, since the establishment, our PRC subsidiaries have complied with the relevant laws and regulations relating to export of product without any penalties due to violation of the relevant laws and regulations relating to export of product. Our PRC legal advisor, Deheng Law Firm, is of opinion that our PRC subsidiaries have complied with all relevant regulatory requirements and obtained all relevant permits and licenses for its operation.

The Directors confirmed that the export products of the Group were manufactured in accordance with the specifications provided by its overseas customers and the quality of the products has complied with different quality control standards as required by the overseas customers which the Directors understand have already taken into account the requirements of overseas regulations relevant to the overseas customers and such overseas customers are responsible for ensuring compliance with relevant overseas regulations and quality control standards.

The Directors were not aware of any responsibility and risks in relation to the compliance of these standards for sales to overseas customers which should be borne by the Group and will materially affect the Group. The Group has not received any complaint from overseas customers for non-compliance with any overseas regulations due to its export products' failure to comply with the specifications or standards required by the overseas customers up to the Latest Practicable Date. The Directors confirmed the Group has complied with all the relevant laws and regulations of overseas markets during the Track Record Period and up to the Latest Practicable Date.

LAWS AND REGULATIONS RELATING TO TAXATION

Seven of our PRC subsidiaries are foreign-invested companies incorporated in the PRC, while the rest are domestic-invested companies incorporated in the PRC. All of them shall pay tax in accordance with PRC laws and regulations relating to taxation.

Income Tax

Prior to 1 January 2008, Income Tax Law of the PRC for Enterprises with Foreign Investment and Foreign Enterprises (中華人民共和國外商投資企業和外國企業所得稅法) and its implementation rules applied to foreign-invested enterprises. According to the said law, any enterprise with foreign investment of a production nature scheduled to operate for a period of not less than ten years shall, from the year beginning to make profit, be exempted from income tax in the first and second years and allowed a fifty percent reduction in the third to fifth years.

Pursuant to the Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) (the "New Tax Law") and its implementation rules, which became effective on 1 January 2008, tax payers are divided into resident enterprise and non-resident enterprise. A resident enterprise refers to an enterprise that is established inside the PRC, or which is established under the law of a foreign country (region) but whose actual institution of management is inside the PRC. A resident enterprise shall pay the enterprise income tax on its incomes derived from both inside and outside the PRC at the rate of 25%. A non-resident enterprise refers to an enterprise established under the law of a foreign country (region), whose actual institution of management is not inside the PRC but which has offices or establishments inside the PRC; or which does not have any offices or establishments inside the PRC but has income sources in the PRC. A non-resident enterprise having offices or establishments inside the PRC shall pay enterprise income tax on its incomes derived from the PRC as well as on incomes derived from outside the PRC but which has real connection with the said offices or establishments at the rate of 25%. A non-resident enterprise having no office or establishment inside the PRC, or whose incomes have no actual connection to its institution or establishment inside the PRC shall pay enterprise income tax on the incomes derived from the PRC at the rate of 10%.

Pursuant to the Notice on the Policy of Enforcing Transitional Preferential Treatment of Enterprise Income Tax (國務院關於實施企業所得稅過渡優惠政策的通知) promulgated on 26 December 2007, for the enterprises that were established prior to the promulgation of the New Tax Law and enjoyed lower tax rates according to the provisions of the previous tax laws and regulations, their income tax rates shall be gradually transferred to the tax rate provided in the New Tax Law within five years after the New Tax Law is promulgated. The enterprises that have enjoyed the preferential treatment of tax exemption for a fixed term may, according to the provisions of the State Council, continue to enjoy such treatment after the promulgation of the New Tax Law until the fix term expires. In particular, enterprises which were subject to an income tax rate of 15% would be subject to an income tax rate of 18% in 2008, increasing to 20% in 2009, 22% in 2010, 24% in 2011, and 25% in 2012. Enterprises which are enjoying two years of 100% exemption and three years of 50% reduction on tax payments may continue to enjoy such exemption and reduction until the term of such privilege expires. However, for those that have failed to enjoy the preferential treatment due to failure to make profits, the term of preferential treatment may be counted as of the year when the New Tax Law is promulgated.

VAT

On 13 December 1993 the State Council promulgated Interim Regulation of the PRC on Value Added Tax (中華人民共和國增值稅暫行條例) (the "VAT Interim Regulation"). On 5 November 2008 the State Council amended the VAT Interim Regulation which became effective on 1 January 2009. Pursuant to the VAT Interim Regulation, entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods in the PRC are taxpayers of value added tax and shall pay value added tax at the rate of 17% unless otherwise stipulated.

The Director confirmed, and the local government authorities supervising taxation certify that, since the establishment, our PRC subsidiaries have complied with the relevant laws and regulations relating to taxation and have fully paid due taxation without any penalties due to violation of the relevant laws and regulations relating to taxation.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

The principal laws and regulations governing environmental protection in the PRC that are applicable to the Company's PRC subsidiaries are Environmental Protection Law of the PRC (中華人民共和國環境保護法) and the Administrative Regulations on Environmental Protection for Construction Project (建設項目環境保護管理條例). Construction projects shall conduct assessment of environmental impact, obtain approval on such assessment and be examined and considered up to the environmental protection standard. Prior to the construction of new facilities or expansion or transformation of existing facilities that may cause a significant impact on the environment, a report on the environmental impact of the construction project shall be submitted to the relevant environmental protection authority. The newly constructed production facilities cannot operate until the relevant department is satisfied that such facilities are in compliance with all relevant environmental protection standards. Environmental protection facilities shall be designed, constructed and put into use simultaneously with the main project construction.

Government authorities may impose different penalties against persons or enterprises in violation of environmental protection laws and regulations. The penalties include warnings, fines, decisions to impose deadlines for cure, orders to stop production and imposition of administrative actions against relevant responsible individuals. Any entity whose construction projects fail to satisfy the requirements of pollution prevention may be ordered to suspend its production or operation and be subject to a fine.

The Directors confirmed, and the local government authorities supervising environmental protection certify that, since the establishment, our PRC subsidiaries have complied with the relevant laws and regulations relating to environmental protection without any penalties due to violation of the relevant laws and regulations relating to environmental protection.

LAWS AND REGULATIONS RELATING TO INTELLECTUAL PROPERTY

China has adopted legislation related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property (保護工業產權巴黎公約), the Madrid Agreement on the International Registration of Marks and Madrid Protocol (商標國際註冊馬德里協議), the Patent Cooperation Treaty (專利合作條約), the Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure (國際承認用於專利程序的微生物保存布達佩斯條約) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (與貿易有關的知識產權協議).

Laws on Patents

China began reviewing patent applications and granting patents under the PRC Patent Law (中華人民共和國專利法) adopted in 1984 and revised in 1992, 2000, 2008 respectively. Under the PRC Patent law, invention patents are valid for twenty years and external design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in China is different in many ways from that in other countries. The patent system in China uses the principle of first to file. This means that when more than one person file a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty in order for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan and Macau, each of which has an independent patent system.

Invention patent

The products seeking invention patent protection must possess such characteristics as novelty and innovation and the grant of invention patent is subject to disclosure and publication requirement. Normally, the patent administrative authority publishes the application 18 months after application is filed, which may be shortened upon request by the applicant. The patent administrative authority conducts a substantive review as required by applicant within 3 years from publication or if necessary at its discretion to grant the invention patent, issue the certificate of invention patent and announce and register it if there is no cause for rejection of the application of the invention patent after substantive review and makes a decision. The term of protection is 20 years from the date of application. Once an invention patent is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

Utility patent

The products seeking utility patent protection must also possess such characteristics as novelty and innovation. Utility patent is granted and registered upon application unless there are reasons for the patent administrative authority to reject the application after its preliminary review. The utility patent is also subject to the disclosure and publication requirement upon application. The term of protection is ten years from the date of application. Once an utility patent is granted, unless otherwise permitted by law, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent or otherwise engage in the manufacture, use, sale or import of the product directly derived from applying the production technology or method protected by such patent, without consent of the patent holder.

Design patent

The products seeking design patent protection must not be the same as or similar to those previously released in domestic or overseas publications, publicly used in the country or infringing upon third parties' legal rights. The application procedure and term of protection is the same as utility patent. Once a design patent is granted, no individuals or entities are permitted to engage in the manufacture, use, sale or import of the product protected by such patent without consent of the patent holder.

When a patent infringement dispute arises, the parties concerned usually settle. However, if a settlement cannot be reached, parties may either file a civil lawsuit or an administrative complaint at a provincial or municipal unit of the PRC State Intellectual Property Office (中華人民共和國國家知識產權局) ("SIPO"). At a party's request, a PRC court may issue a preliminary injunction. Damages for infringement are calculated as either the loss suffered by the patent holder arising from the infringement or the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in either manner, damages may be determined by using a reasonable multiple of the license fee under a contractual license. In China, the burden of proving infringement is on the patent holder. However, in cases of alleged production process patent infringement, the alleged infringing party has the burden of proving that there has been no infringement.

Although patent rights are national rights, the Patent Cooperation Treaty to which China is a signatory, allows applicants in one country to seek patent protection for an invention that may simultaneously exist in a number of other member countries by filing a single international patent application. The fact that a patent application in pending is no guarantee that a patent will be granted, and even if granted, the scope of a patent may not be as broad as the subject of the initial application.

Laws on Trademarks

Both the PRC Trademark Law (中華人民共和國商標法) adopted in 1982 and revised in 1993 and 2001, and the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例) adopted by the State Council of the PRC in 2002 give protection to the holders of registered trademarks. The Trademark Office under the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局) handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten years. Trademark license agreements must be filed with the Trademark Office or its regional counterparts.

The PRC legal advisor of the Company, Deheng Law Firm, is of the view that as of the Latest Practicable Date, our PRC subsidiaries have possessed 45 patents and 3 trademarks respectively, while there are 44 patents and 7 trademarks pending for registration in China. The Directors confirmed since the establishment, our PRC subsidiaries have complied with the relevant laws and regulations relating to intellectual property without any penalties due to violation of the relevant laws and regulations relating to intellectual property.

LAWS AND REGULATIONS RELATING TO PRODUCTION SAFETY

On 29 June 2002 the Standing Committee of NPC promulgated Production Safety Law of the PRC (中華人民共和國安全生產法), which became effective on 1 November 2002. The production and business operation entities shall observe the said law and other relevant laws, regulations concerning the production safety, strengthen the administration of production safety, establish and perfect the system of responsibility for production safety, perfect the conditions for safe production, and ensure the safety in production. The major person-in-charge of the production and business operation of the entities shall take charge of the overall work of the production safety of the entity concerned.

The PRC legal advisor of the Company, Deheng Law Firm, is of view that our PRC subsidiaries shall ensure the production safety during production and business operations in accordance with these laws. The Directors confirmed, and the local government authorities supervising production safety certify that, since the establishment, our PRC subsidiaries have complied with the relevant laws and regulations relating to production safety without any penalties due to violation of the relevant laws and regulations relating to production safety.

LAWS AND REGULATIONS RELATING TO LABOR AND SOCIAL INSURANCE

On 5 July 1994 the Standing Committee of NPC promulgated the Labor Law of the PRC (中華人民共和國勞動法), which became effective on 1 January 1995. On 29 June 2007 the Standing Committee of NPC promulgated Labor Contract Law of the PRC (中華人民共和國勞動合同法), which became effective on 1 January 2008. Pursuant to the said laws, a written labor contract shall be concluded within one month from the date when the employee commence working. Labor contract is divided into two types, namely labor contract with fixed term and labor contract without fixed term. Where the employee has already worked for the employer for 10 full years consecutively or meet other conditions required by the laws, a labor contract without fixed term shall be concluded.

Pursuant to the Interim Regulations Concerning the Levy of Social Insurance Fees (社會保險費徵繳暫行條例) adopted on 14 January 1999 and promulgated as well as implemented on 22 January 1999 by the State Council, the Regulation Concerning the Administration of Housing Fund (住房公積金管理條例) promulgated and implemented on 3 April 1999 and amended on 24 March 2002 by the State Council, the employer shall pay pension insurance fund, basic medical insurance fund, unemployment insurance fund, occupational insurance fund, maternity insurance fund and housing fund for the employees.

We have not paid, or have not been able to pay, certain past social insurance or housing fund contributions for and on behalf of some of our employees before June 2010 in strict compliance with the relevant PRC regulations. See "Business — Employees".

Our PRC legal advisor, Deheng Law Firm is of the opinion that save for certain unpaid social insurance and housing fund in past years as disclosed above, our Group has complied with all relevant PRC laws and regulations in all material respects and obtained all relevant approvals/certificates which are necessary for its operations in PRC up to the Latest Practicable Date.

The Directors confirmed that the Group would keep an updated list of all relevant regulatory requirements and relevant personnel would be assigned to keep such a list updated on a monthly basis by maintaining frequent communications with relevant regulatory authorities and the Group's PRC legal advisor. All updated relevant regulatory requirements would be circulated, in the form of internal memo, regularly to relevant staff at all departments and subsidiaries of the Group to ensure on-going compliance and the abovementioned assigned personnel would also be responsible for reviewing compliance-related work done and compliance records by all relevant departments and subsidiaries across the Group on a monthly basis. Our PRC legal advisor, Deheng Law Firm, is of the view that the foregoing measures in ensuring the on-going compliance with PRC regulatory requirements are effective and practicable.

HISTORY AND DEVELOPMENT

Introduction

Our Group commenced business operations in 1997 when Weihai Electronic was established in Weihai, Shandong Province, the PRC, with an initial registered capital of US$120,000. In preparation for [●], our Group commenced the Reorganization in 2007 and as part of the Reorganization, our Company was incorporated in the Cayman Islands on 16 November 2007 to act as the holding company of our Group. Mr. Chi, our Chairman, CEO and Controlling Shareholder, has been in charge of management responsibility for Weihai Electronic since its inception in 1997 and became the sole shareholder of Weihai Electronic in 2005. Under Mr. Chi's leadership, our Group has undergone significant development transforming from a signal cable assembly processing plant to a group engaged in the design, development, manufacture and sale of a comprehensive range of signal cable assembly, power cord assembly, wire & cable (primarily for signal transmission purpose) and connector products.

Business milestones

The following events are our major milestones since establishment:

1997 Weihai Electronic was established and commenced RGB cable assembly processing business.

2000 Weihai Electronic commenced supply of external signal cable assembly used for monitor display units under our own "Hong-Lin" brand to LG with all raw materials and parts sourced by ourselves, which signified our successful transformation from a processing enterprise to a company capable of design, development, manufacture and sale of external signal cable assembly products with its own brand.

2003 Weihai Cable commenced manufacturing of its own wire and cable products which are raw materials used to be assembled with connectors for the production of cable assembly products, as we took the first step towards implementing a vertically integrated business model starting from the production of plastic materials, drawing of copper and processing of wire & cable into finished cable assembly products.

2005 Wuhan Electronic was established in Wuhan, Hubei Province to establish our presence in the central China region as we began to implement our strategy of locating production facilities in other parts of China whereby we are able to better gain access and serve our target customers in selected major consumer electronics manufacturing and/or distribution hubs in China.

2006 Changshu Electronic commenced operation in Suzhou, Jiangsu Province, marking our successful penetration into the Yangtze River Delta of China, a major consumer electronics manufacturing and distribution region in China.

Changshu Connecting-Technology commenced production of terminal connector, as we further integrated our production process, symbolizing our successful introduction of our own connector products, which we manufacture, together with our wire and cable products, for production of cable assembly products.

Weihai Electronic received a certification of QC080000 which demonstrates the ability in our manufacturing process to meet international environmental standards including those set out by European Parliament directives such as RoHS, WEEE and REACH.

2007 Changshu Connecting-Technology commenced manufacturing and sale of board side connectors, which require higher technical capability to manufacture as compared to terminal connectors, increasing our product mix and our ability to offer a comprehensive portfolio of cable assembly and connector related products for our target consumer electronics markets.

Changshu Cable commenced manufacturing RF cables, a type of communication cable for notebook computer and was recognized by a leading global-brand name notebook manufacturer as a supplier of RF cable in connection with its production of notebook computers.

Weihai Electronic was recognized as a Shandong Province Advance Technology Enterprise (山東省高新技術企業) by the Department of Science & Technology of the People's Government of Shandong Province.

2008 Weihai Cable obtained the certification of TS16949, representing our ability to meet international standards set for the automotive industry in our manufacturing of automotive cable products.

Changshu Electronic successfully developed the relevant technology for the production of LVDS cable assembly which is a type of internal signal cable assembly widely used in notebook computers, our key target market for internal signal cable assembly.

Weihai Electronic was collectively recognized as a Shandong Province Advance Technology Enterprise (山東省高新技術企業) by the Department of Science & Technology and the Department of Finance of the People's Government of Shandong Province, the Shandong National Tax Bureau and the Shandong Local Tax Bureau.

Weihai Electronic was approved by the Department of Science & Technology of the People's Government of Shandong Province as a Shandong Province Technology Research Center for High Frequency Signal Transmission Engineering.

We completed our internal research and development on environmentally friendly low smoke halogen-free insulating materials used for cable jacketing and received recognition from Underwriters Laboratories in relation to such materials, which is an international environmental standards.

2009 Changshu Connecting-Technology established the FFC Department and commenced commercial operation specializing in the manufacturing of FFC assembly primarily for use in LCD and LED TV.

Shenzhen Communication Technology was established to engage in design, development, manufacture and sale of wireless antennas primarily for signal transmission use in notebook computer and mobile handset, representing our first entry into the wireless telecommunications industry.

2010 Honglin Technology was established in Taiwan to expand our sales and marketing efforts primarily to target more overseas customers and to engage in research and development work on antennas and connectors used in mobiles handsets, notebooks, GPRS systems and network communications (including routers and network cards).

We obtained the safety certifications for our power cord assembly products from 29 countries so far, including UL/CSA, BSI, CCC, KTL, PSE and VDE, covering substantially all of the major target markets for our power cord assembly products.

In April 2010, we entered into a letter of intent with a district government of the People's Government of Chongqing municipality in connection with the proposed acquisition of approximately 400 mu land use right at an estimated total consideration of RMB32 million (the final price of such land use right and the payment are subject to final auction results and the definitive agreement to be entered into with the relevant government), which is expected to take place by the first half of 2011 and the first half of 2013 in two phases, respectively, for establishing a production facility in Chongqing, which we believe will become another major electronic products manufacturing and distribution hub, to benefit from the substantial growth potential of western China supported by State initiative, especially the construction of Lanzhou — Chongqing Railway, which we believe would provide us with an important and more cost-effective gateway to access and serve the European markets for our products. It is expected that the payment for and completion of the first phase of the acquisition for approximately 200 mu land use right will take place by the first half of 2011 and that the payment for and completion of the second phase of the acquisition for the remaining approximately 200 mu land use right is expected to take place by the first half of 2013.

History and development of our PRC operating subsidiaries

Weihai Electronic

Weihai Electronic, the first member of our Group, was established in Weihai, Shandong Province on 27 November 1997 as a wholly foreign-owned enterprise with an initial registered capital of US$120,000 and with Mr. Kim Young Kyu (金令圭) ("Mr. Kim"), currently an Independent Third Party of our Group, as the only investor. Mr. Kim was a South Korean businessman primarily based in South Korea, dealing in the apparel processing industry and in 1996, established a processing facility in Weihai, China to engage in the operation of apparel processing. During his stay in Weihai, where he was leasing an accommodation unit from Mr. Chi, Mr. Kim became acquainted with Mr. Chi who was then working as a production manager for an electronic product processing company based in Weihai. In 1997, Mr. Kim recognized the potential of low cost signal cable assembly processing business in China for the electronic products industry and decided to explore such business opportunity. However, because of his involvement in apparel processing business and his lack of operational knowledge in respect of signal cable assembly processing, Mr. Kim decided to participate the signal cable assembly processing business only in the capacity as a financial investor. As such, Mr. Kim, being a financial investor in Weihai Electronic, due to his appreciation of Mr. Chi relevant industry experience, decided to engage Mr. Chi, our Chairman, CEO and Controlling Shareholder, to manage the operations of Weihai Electronic on his behalf for a term of up to eight years following the establishment of Weihai Electronic. Under such arrangement, it was agreed that Mr. Chi would be responsible for any profit or loss incurred by Weihai Electronic and that Mr. Kim would be entitled to a fix return of US$10,000 per annum and his initial investment cost of US$120,000 at the end of the eight-year term. Mr. Kim had never participated in the management and operation of Weihai Electronic since its establishment. Deheng Law Firm, our PRC legal advisor, has confirmed that such arrangement did not violate any applicable PRC laws and regulations.

Mr. Chi, through Chenlin Trading, a Hong Kong incorporated company engaged in trading and investment business that is wholly owned by him, began to invest in Weihai Electronic in April 2005 when Chenlin Trading subscribed a part of the then increased registered capital and became a shareholder of Weihai Electronic, holding 25.3% of Weihai Electronic's then enlarged registered capital of US$4,000,000, with the remaining 74.7% held by Mr. Kim.

Subsequently in the same year, as Mr. Kim exited his investment in Weihai Electronic, Mr. Chi, through Chenlin Trading, acquired Mr. Kim's entire 74.7% equity interest in Weihai Electronic at his investment cost for a consideration of US$2,990,000. Chenlin Trading then became Weihai Electronic's sole shareholder upon completion of the acquisition on 18 May 2005.

During the period of its establishment in 1997 up to March 2000, Weihai Electronic was principally engaged in signal cable assembly processing business. Under the leadership of Mr. Chi, Weihai Electronic has placed strong emphasis on the development of new product technologies and application of technologically-advanced production techniques in order to differentiate itself from mass-market cable assembly processing competitors. In March 2000, Weihai Electronic successfully obtained orders placed by LG for supply of external signal cable assembly for monitor display units and started transforming itself from a processing enterprise to a vertically integrated manufacturer capable of design and development of a broad range of signal cable assembly and power cord assembly products for the consumer electronics industry with a strong brand and quality customer base.

On 25 May 2007, in order to streamline business operation, Weihai Electronic and its former shareholder, Chenlin Trading, entered into an agreement with its former subsidiary, Qingdao Electronic, and the other two shareholders of Qingdao Electronic, namely Qingdao Xingya Co., Ltd. (青島興亞電子有限公司, "Xingya") and Jung Woo CNC ("Jung Woo"), both engaged in manufacturing and sale of electronic products, to merge with Qingdao Electronic by absorption. Qingdao Electronic was incorporated in Qingdao, Shandong Province in February 2004 to primarily engage in the business of manufacturing cable assembly products and to serve its customers based in Qingdao, Shandong Province, such as Haier, and was deregistered on 6 December 2007. However, as the business environment evolved, Weihai Electronic has subsequently become able to manufacture and supply such cable assembly products directly to our abovementioned customer in Qingdao. At the time of merger, Qingdao Electronic was owned as to 55% by Weihai Electronic, 20% by Xingya and 25% by Jung Woo. Xingya and Jung Woo, both Independent Third Parties, upon completion of the merger, held a 1.0% and a 1.2% interest, respectively, in Weihai Electronic and then subsequently transferred their entire respective shareholdings in Weihai Electronic to Chenlin Trading at an aggregate consideration of US$225,000, which was determined by reference to their respective initial investment cost in Qingdao Electronic. As the result of such acquisition, Weihai Electronic remained as a wholly owned subsidiary of Chenlin Trading.

Weihai Cable

Weihai Cable was established in Weihai, Shandong Province on 30 July 2003 with a registered capital of US$1,000,000 and owned as to 75% by Weihai Electronic and as to 25% by Mr. Zhu Wen Yi ("Mr. Zhu"), an Independent Third Party and a Taiwanese experienced in the cable and connector manufacturing business. Weihai Cable is primarily engaged in manufacturing wire & cable and plastic materials. In December 2003, Win Forever Electric Wire (H.K.) Limited ("Win Forever") acquired a 10% interest in Weihai Cable from Mr. Zhu for a consideration of US$100,000 determined by reference to his initial investment cost. Win Forever (a Hong Kong incorporated company primarily engaged in international trade business and controlled by Mr. Jiang Taihong, a brother of Mr. Jiang Taike who is an executive Director of our Company) held such 10% interest on trust for Mr. Jiang Taike. As the result of such acquisition, Weihai Cable was owned as to 75% by Weihai Electronic, 15% by Mr. Zhu and 10% by Win Forever.

Due to business expansion, in June 2004, Weihai Cable increased its registered capital from US$1,000,000 to US$2,000,000 of which Mr. Kim subscribed and contributed US$900,000 and Win

Forever subscribed and contributed US$100,000. Following such increase, Weihai Cable became owned as to 37.5% by Weihai Electronic, 7.5% by Mr. Zhu, 10% by Win Forever and 45% by Mr. Kim. Due to personal reasons, Mr. Zhu offered to sell his entire interest in Weihai Cable in April 2005 and Weihai Electronic acquired from Mr. Zhu his entire 7.5% interest in Weihai Cable at his initial investment cost for a consideration of US$150,000. At the same time, Chenlin Trading and Weihai Electronic also acquired from Mr. Kim 15% and 30% interest in Weihai Cable, respectively, at his investment cost in Weihai Cable for an aggregate consideration of US$900,000. Upon completion of such transactions, Mr. Zhu and Mr. Kim ceased to be a shareholder of Weihai Cable and Weihai Cable became owned as to 75% by Weihai Electronic, 15% by Chenlin Trading and 10% by Win Forever.

On 25 November 2006, Weihai Cable and Weihai Plastic, which is a former member of our Group engaged in production of plastic materials, a key raw material for wire and cable production, entered into an agreement for Weihai Cable to merge with Weihai Plastic by absorption. Weihai Plastic was incorporated in Weihai, Shandong Province on 30 December 2001 as a sino-foreign equity joint venture with a registered capital of US$200,000 contributed by Weihai Electronic, Shanghai Huzhan Plastic Co., Ltd. (上海滬展塑料有限公司, "Huzhan") and Mr. Choi Han Sang ("Mr. Choi"). Their respective shareholdings in Weihai Plastic were 40%, 30%, and 30%. Huzhan is a PRC incorporated company and is principally engaged in production and sale of toner powder and plastic materials. Mr. Choi is a Korean businessman and is experienced in the plastic manufacturing business. Both of Huzhan and Mr. Choi are the Independent Third Parties. Weihai Plastic was initially set up for manufacture and sale of plastic materials as well as supplying to our Group as raw material for our wire and cable production. With Weihai Cable having expanded its capability to include internal production of plastic materials at its own manufacturing facility, it is decided that the competitiveness of our Group could be increased by streamlining the operation of Weihai Plastic and Weihai Cable. Immediately prior to the merger in August 2007, Weihai Plastic was held as to 57.5% by Weihai Electronic, 12.5% by Chenlin Trading (which acquired the entire shareholding of Mr. Choi in Weihai Plastics in April 2005 at his investment cost for an aggregate consideration of US$125,000), 15% by Huzhan and 15% by Yu Shun Rong Plastics Co., Ltd. ("Yu Shun Rong"), an associated company of Huzhan, which subscribed for the then 15% shareholding of Weihai Plastics when Weihai Plastics increased its registered capital from US$500,000 to US$1,000,000 in July 2004. Immediately after completion of the merger, the registered capital of Weihai Cable was increased to US$3,000,000 and it became owned as to 69.2% by Weihai Electronic, 14.2% by Chenlin Trading, 5% by Huzhan, 5% owned by Yu Shun Rong and 6.7% by Win Forever while Weihai Plastic was deregistered on 28 June 2007.

For the purpose of expanding our production capacity, in January 2008, Weihai Cable increased its registered capital from US$3,000,000 to US$5,000,000. During the course of such increase, to further consolidate their interests in Weihai Cable, Mr. Chi, through his wholly owned Chenlin Trading, acquired from Yu Shun Rong and Huzhan their respective interests of 1.2% and 4.1% in Weihai Cable at their respective investment costs for an aggregate consideration of approximately US$261,977 while Mr. Jiang Taike, through his wholly owned Hongkong Tiger Electrical Industry Company ("Hongkong Tiger"), a company engaged in investment business, acquired from Yu Shun Rong its interest of 2.9% in Weihai Cable at investment cost for a consideration of US$144,034. At the same time, Win Forever transferred the legal title of the 7.1% interest in Weihai Cable to Hongkong Tiger at its investment cost for a consideration of US$355,966. Following such transactions, Huzhan and Win Forever ceased to be a shareholder of Weihai Cable and Weihai Cable became owned as to 69.0% by Weihai Electronic, 21.0% by Chenlin Trading and 10% by Hongkong Tiger.

Changshu Electronic

To establish a presence in Yangzi River Delta of China, a major consumer electronics manufacturing and distribution region in China, Weihai Electronic together with three business partners, namely Kunshan Jin Yuan Xiang Electronic Co., Ltd. (昆山金元祥電子有限公司, "Jin Yuan Xiang"), a PRC incorporated company engaged in electronic products manufacturing business, Ms. Liu Li Qi and Mr. Zhu, each of them currently being an Independent Third Party, established Changshu Electronic in Suzhou, Jiangsu Province on 10 June 2002 with a registered capital of US$1,000,000. Their respective shareholding in Changshu Electronic was 40%, 10%, 25% and 25%. The principal business of Changshu Electronic is design, development, manufacture and sale of internal signal cable assembly and antennas. However, Jin Yuan Xiang, due to the delay in commencement of operation of Changshu Electronic, and Ms. Liu Li Qi and Mr. Zhu, because of their respective personal reasons, decided to exit their investments at their respective investment cost in Changshu Electronic in December 2005. Upon completion of the transaction, Jin Yuan Xiang, Ms. Liu Li Qi and Mr. Zhu ceased to be a shareholder of Changshu Electronic and Changshu Electronic became owned as to 72.5% by Weihai Electronic and as to the remaining 27.5% by Chenlin Trading. In February 2008, for the purpose of business expansion, Changshu Electronic increased its registered capital from US$1,000,000 to US$2,000,000. Subsequent to such increase, Weihai Electronic's equity interest in Changshu Electronic increased to 75%, with the remaining 25% held by Chenlin Trading. In September 2009, Changshu Electronic further increased its registered capital from US$2,000,000 to US$5,000,000.

Changshu Cable

As we continued to implement our vertically integrated business model to create synergy with our cable assembly unit of Changshu Electronic and to enhance our competitiveness, Changshu Cable was incorporated in Suzhou, Jiangsu Province on 25 August 2006 to engage in design, development, manufacture and sale of wire & cable. The registered capital of Changshu Cable is US$1,000,000 with Weihai Electronic, Chenlin Trading and Hongkong Tiger holding 75%, 15% and 10%, respectively. There had since been no change in the registered capital of and the shareholding of Changshu Cable prior to the Reorganization.

Changshu Connecting-Technology

Changshu Connecting-Technology was established in Suzhou, Jiangsu Province on 1 March 2004 with a registered capital of US$6,500,000 by Weihai Electronic and its two business partners, namely Mr. Zhu, through his wholly owned Taiwan Hunglin International Technology Co., Ltd. (台灣宏麟國際科技有限公司, "Taiwan Hunglin"), and Jung Woo, each holding 15.4%, 50% and 34.6%. In January 2005, Mr. Chi, through Chenlin Trading, acquired the entire 34.6% interest of Jung Woo at its initial investment cost in Changshu Connecting-Technology for a consideration of US$2,250,000. As Mr. Zhu decided to sell his interests in Changshu Connecting-Technology for personal reasons, on 18 May 2006, Mr. Chi and Mr. Jiang Taike through Weihai Electronic and Hongkong Tiger, respectively, acquired from Taiwan Hunglin a 36.2% interest and a 3% interest in Changshu Connecting-Technology at its initial investment cost for consideration of US$2,350,000 and US$200,000, respectively. As a result, Changshu Connecting-Technology became a subsidiary of our Group. In April 2007, Weihai Electronic acquired an additional 9.2% interest from Taiwan Hunglin at its initial investment cost for a consideration of USD$600,000. At the same time, Weihai Electronic acquired Hongkong Tiger's entire interest in Changshu Connecting-Technology at a cash consideration of US$200,000 determined with reference to investment cost. Upon completion of such transactions, Changshu Connecting-Technology was owned as to 63.9% by Weihai Electronic, 34.6% by Chenlin Trading and 1.5% by Taiwan Hunglin.

Wuhan Electronic

To establish our business presence in central China region and to provide better services to our customers in central China, such as TPV Technology and Haier in a cost effective way, Wuhan Electronic was established in Wuhan, Hubei Province on 11 October 2005 with a registered capital of US$1,000,000 by Weihai Electronic and Chenlin Trading, holding 75% and 25%, respectively. In January 2008, the Company acquired the entire 25% interest of Chenlin Trading at its initial investment cost in Wuhan Electronic at the consideration of US$250,000. Wuhan Electronic is currently owned as to 75% by Weihai Electronic and 25% by the Company and primarily engaged in manufacture and sale of external signal cable assembly and power cord assembly.

Dezhou Electronic

To take advantage of the geographical location of Dezhou, Shandong Province, with its transportation convenience and relatively lower labor cost, Dezhou Electronic was established in Dezhou, Shandong Province on 13 March 2006 with a registered capital of US$3,000,000 by Weihai Electronic and Chenlin Trading, holding 75% and 25%, respectively. In January 2008, the Company acquired the entire 25% interest of Chenlin Trading at its initial investment cost in Dezhou Electronic at the consideration of US$750,000. Dezhou Electronic is currently owned as to 75% by Weihai Electronic and 25% by the Company and primarily acting as an internal processing plant of our Group for the production of our signal cable assembly products.

Entity formerly part of our Group during the Track Record Period

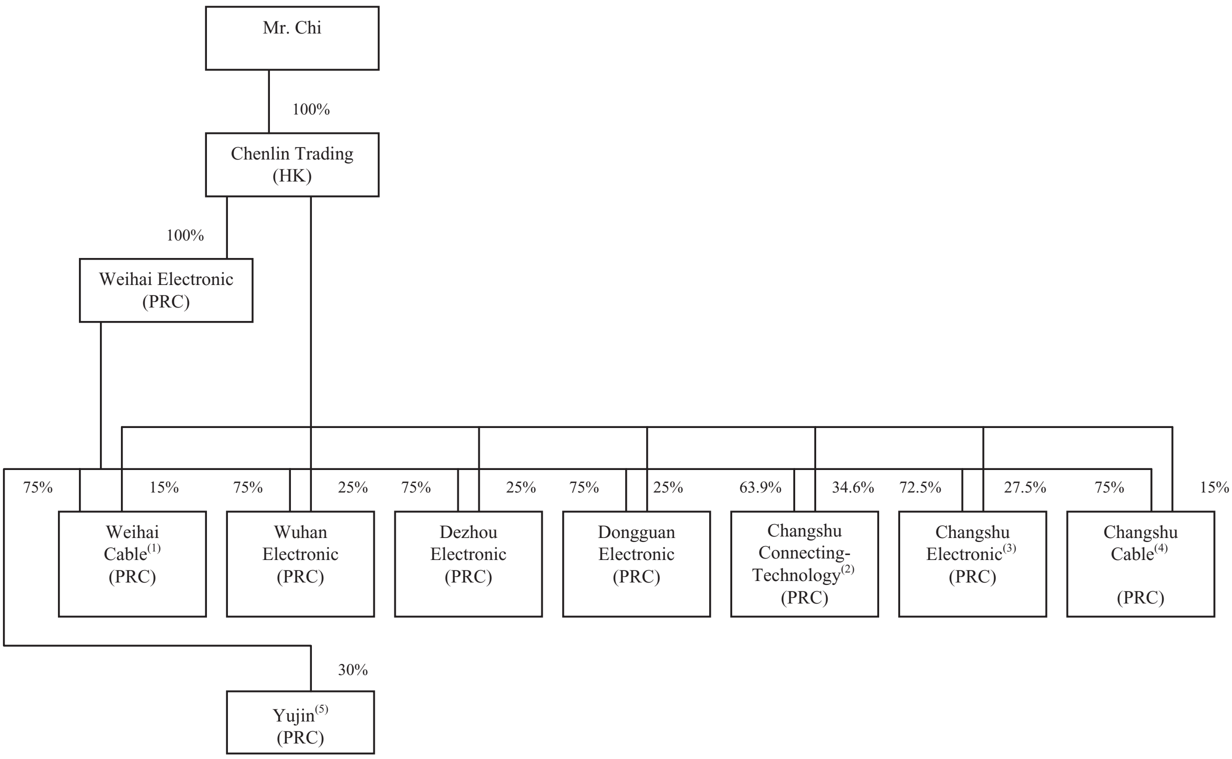
Dongguan Electronic

Dongguan Electronic was incorporated on 11 June 2007 with a registered capital of US$3,000,000. Following the Reorganization, Dongguan Electronic was owned as to 75% by Weihai Electronic and as to 25% by the Company. The principal business of Dongguan Electronic was manufacture and sale of RGB cable assembly and DVI cable assembly for the all-in-one personal computer market. Dongguan Electronic was established in Dongguan, Guangdong Province mainly to facilitate manufacture and supply of specialized RGB and DVI cable assembly products to all-in-one personal computer customers whom have their manufacturing bases primarily in the Dongguan and Shenzhen areas. The RGB cable assembly and DVI cable assembly for all-in-one personal computer market manufactured in Dongguan Electronic were tailor-made for all-in-one personal computers only and its specifications and attributes are distinguished from those types of RGB and DVI external signal cable assembly that we manufacture for use mainly in computer and TV display units. For example, the RGB cable assembly used for all-in-one personal computer comprises four copper core wires with relatively large diameters of approximately 5.7mm and 6.2mm while the diameters of those types of RGB external signal cable assembly are approximately 5.5mm. On 24 October 2008, having considered our then business strategy, the slower than expected market growth of all-in-one personal computers in the first six months of 2008 and due to concerns about the impact of the financial crisis in the second half of 2008, we made the decision to dispose of Dongguan Electronic in order to reduce further capital investments, recover capital expenditure of our Group in Dongguan Electronic and also to focus our efforts and resources on the development and manufacture of our key products instead.

The Company and Weihai Electronic disposed of our respective entire equity interests in Dongguan Electronic at our respective initial investment costs to United Asia Metal & Machine Co ("United Metal") and Yu Shun Rong Plastics Hardware Products (Shenzhen) Co., Ltd. (裕順榮塑膠五金製品（深圳）有限公司, "Yu Shun Rong (Shenzhen)"), both are Independent Third Parties. The considerations for such disposal were US$750,000 and US$2,250,000, respectively. Subsequent to such transactions completed on 24 October 2008, Dongguan Electronic ceased to be a subsidiary of the Company. At the request of the transferees to help reduce their financial burden due to the financial crisis in 2008 and 2009, we agreed to the postponement of settlement of part of the consideration for the sum of RMB10 million until the end of 2010. As of the Latest Practicable Date, we do not expect further postponement of settlement of such sum. The gain on disposal of Dongguan Electronic was RMB3.3 million. See the section headed "Financial Information — Results of Operations — Year Ended 31 December 2008 Compared with Year Ended 31 December 2007 — Other Gains and Losses" in this document for more details.

REORGANIZATION

The following chart shows the Group's corporate and shareholding structure immediately prior to the Reorganization:



Notes:

(1) The remaining 10% interest was held by Win Forever on trust for Mr. Jiang Taike, an executive Director of the Company. Following the merger of Weihai Cable and Weihai Plastic on 3 August 2007 and the increase of the registered capital of Weihai Cable from US$3,000,000 to US$5,000,000 during the period of August 2007 to January 2008, such interest became approximately 7.1%. On 18 August 2007, Win Forever entered into an agreement with Hongkong Tiger to transfer the legal title of its then 7.1% interest in Weihai Cable to Hongkong Tiger, a company wholly owned by Mr. Jiang Taike. Upon completion of the increase in registered capital from US$3,000,000 to US$5,000,000 and various transfers described in the paragraph headed "History and Development — History and development of our PRC operating subsidiaries — Weihai Cable", Weihai Cable became owned as to 69.0% by Weihai Electronic, 21.0% by Chenlin Trading and 10% by Hongkong Tiger, and such shareholding structure remained unchanged until the time when Chenlin Trading transferred its entire interests in Weihai Cable to our Company pursuant to the Reorganization.

(2) The remaining 1.5% interest was owned by Taiwan Hunglin.

(3) Following increase of the registered capital of Changshu Electronic in February 2008, Changshu Electronic became owned as to 75% by Weihai Electronic and 25% by Chenlin Trading and such shareholding structure remained unchanged until the time when Chenlin Trading transferred its entire interest in Changshu Electronic to our Company pursuant to the Reorganization.

(4) The remaining 10% interest was owned by Hongkong Tiger.

(5) Yujin was an associate of the Company and previously engaged in the manufacture and sales of packing material for mould. The other shareholder of Yujin was Mr. Kim Kyung Hwan, an Independent Third Party, holding 70% interest. It was deregistered on 31 August 2010.

Our Group underwent the Reorganization in preparation for [●]. The principal steps involved in the Reorganization are summarized below:

A. Incorporation of overseas holding companies

On 26 April 2007, Chenlin International was incorporated in the British Virgin Islands with Mr. Chi owning its entire issued share capital.

On 26 April 2007, Hongxin Joint Stock was incorporated in the British Virgin Islands solely for the purpose of holding in trust the shares which Mr. Chi transferred to 137 employees (the "Employee Shareholders") of our Group and a total of 40 relatives and friends of Mr. Chi including Mr. Jiang Taike, an executive Director (the "Minority Shareholders"). Mr. Xu Menggang, who was the then chairman of the labor union of Weihai Electronic, is the sole shareholder of Hongxin Joint Stock. For further details, please refer to the paragraph headed "D. Transfer by Chenlin International of the Employee Shares and the Minority Shareholders' Shares" below.

On 16 November 2007, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorized share capital of US$50,000,000 divided into 500,000,000 shares with a par value of US$0.10 each. As of 16 November 2007, a total of 100 shares of US$0.10 each were allotted and issued, of which 80 shares of US$0.10 each were owned by Chenlin International and 20 shares of US$0.10 each were owned by Hongxin Joint Stock.

B. Acquisition of our Group's PRC operating subsidiaries

(1) Acquisition from Chenlin Trading

In January 2008, pursuant to a share transfer agreement, we acquired from Chenlin Trading its entire interest in Weihai Electronic at its investment cost for a consideration of US$10,500,000. Such consideration was settled with the issuance of 52,500,000 shares of US$0.10 each by the Company to Chenlin International at an issuance price of US$0.20 each. Upon the completion of the transaction on 30 January 2008, we became the holding company of Weihai Electronic.

During the period of January 2008 to March 2008, pursuant to various share transfer agreements, we acquired from Chenlin Trading its entire 21.0% interest in Weihai Cable, 25% interest in Wuhan Electronic, 25% interest in Dezhou Electronic, 25% interest in Changshu Electronic, 15% interest in Changshu Cable, 34.6% interest in Changshu Connecting-Technology and 25% interest in Dongguan Electronic at an aggregate consideration of approximately US$5,702,065 determined with reference to its investment cost. For the purpose of settling such consideration, an aggregate of 28,510,323 shares of US$0.10 each of the Company were issued to Chenlin International at an issuance price of US$0.2 each.

(2) Buy out minority shareholders of certain PRC subsidiaries

(a) Changshu Connecting-Technology

On 11 March 2008, the Company acquired from Taiwan Hunglin its entire 1.5% interest in Changshu Connecting-Technology at its investment cost for a consideration of US$100,000 which has been paid in full.

(b) Weihai Cable

On 30 January 2008, the Company acquired from Hongkong Tiger its entire 10% interest in Weihai Cable at its investment cost for a consideration of US$500,000 which has been paid in full.

(c) Changshu Cable

On 11 March 2008, the Company acquired from Hongkong Tiger its entire 10% interest in Changshu Cable at its investment cost for a consideration of US$100,000 which has been paid in full.

(d) Issuance of Shares to Chenlin International

On 17 September 2008, the Company issued a total of 3,500,000 shares of US$0.10 each to Chenlin International at the issue price of US$0.2 each (total: US$700,000). Such funds were used to satisfy the payment obligations of the Company under the above-mentioned equity interest transfer agreements.

Immediately after the above-mentioned transactions in 2008, each of Weihai Electronic, Weihai Cable, Wuhan Electronic, Dezhou Electronic, Changshu Electronic, Changshu Cable, Changshu Connecting-Technology and Dongguan Electronic became a wholly owned subsidiary of the Company.

C. Disposal of Dongguan Electronic

On 24 October 2008, Dongguan Electronic was disposed by us and Weihai Electronic to United Metal and Yu Shun Rong (Shenzhen), respectively, at the considerations of US$750,000 and US$2,250,000 which were determined with reference to our respective investment cost.

D. Transfer by Chenlin International of the Employee Shares and the Minority Shareholders' Shares

(1) The Employee Shareholders

In September 2008, in recognition of their contributions to the development and growth of our Group and to retain their services which is important to our long-term growth and profitability, the Company and Mr. Chi adopted an employee share scheme (the "Employee Share Scheme"), pursuant to which, on 8 October 2008, Chenlin International transferred a total of 6,280,000 shares of US$0.10 each (the "Employee Shares") to Hongxin Joint Stock for it to hold in trust for each of 137 employees of our Group (including Mr. Li Jianming, Mr. Mao Wanjun and Mr. Sui Shikai, all of whom are Directors of the Company) at a consideration of RMB6.4 each (determined by the Controlling Shareholder at his sole discretion and also by reference to the consideration price per share paid by SCGC Capital in March 2008 to our Company), of which RMB2.4 was settled by each of the Employee Shareholders with their own funds and RMB4.00 (as determined by our Board) was paid for by Weihai Electronic and Weihai Cable, respectively, as bonus and subsidy to those employees. The consideration paid by the Employee Shareholders will not be refunded upon their departure from our

Group but will be paid by the recipient of such shares of departing employees in accordance with the Employee Share Scheme. See "Statutory and General Information — Further Information about Directors, Management and Staff — Employees Shares" for details. On 13 June 2010, one employee resigned and, pursuant to the terms of the Employee Share Scheme, transferred his entire entitlement of 10,113 shares of US$0.10 each to another employee designated by the Board, namely Mr. Li Jianming; therefore, as of the Latest Practicable Date, there were a total of 136 Employee Shareholders under the Employee Share Scheme.

The Employee Shareholders who are our Directors, senior management and/or their associates, and their respective shareholding are as follows:

Name of Employee Shareholders and position in the Company	Number of Shares owned immediately after the completion of the Subdivision, [●] and [●] (without taking into account the exercise of [●] or any options that may be granted under the Share Option Scheme)	Approximate percentage of shareholding held immediately after the completion of the Subdivision, [●] and [●] (without taking into account the exercise of [●] or any options that may be granted under the Share Option Scheme)
Li Jianming (Director)	1,030,431	0.1%
Sui Shikai (Director)	1,026,889	0.1%
Mao Wanjun (Director)	1,486,471	0.2%

In respect of the Employee Shares, the total consideration paid by the Employee Shareholders, Weihai Electronic and Weihai Cable was approximately RMB14.9 million, RMB20.0 million and RMB5.1 million, respectively. The transfer price of per share of RMB6.4 (or HK$7.48) represents an effective investment cost per Share of approximately HK$1.27 after the Subdivision, [●] and [●] and assuming that [●] is not exercised. Based on the indicative [●] range, the price paid by the Employee Shareholders represents a discount of approximately [●]% to HK$[●] per Share, being the lower end of the stated [●] range, and a discount of approximately [●]% to HK$[●] per Share, being the upper end of the stated [●] range.

The Employee Shares are subject to certain restrictions in respect of transfer and transfer price. For details of such restrictions, please refer to the paragraph headed "Employee Shares" in the section of "Statutory and General Information".

(2) The Minority Shareholders

On 8 October 2008, Chenlin International transferred to Hongxin Joint Stock an aggregate of 23,447,275 shares of US$0.10 each to hold in trust for each of the Minority Shareholders, of which (i) an aggregate of 11,003,026 shares of US$0.10 each were transferred at nil consideration to Mr. Chi's relatives, including a total of 7,452,408 shares of US$0.10 each to Mr. Chi Rongjie who is Mr. Chi's father, a total of 627,151 shares of US$0.10 each to Mr. Chi Zhongmin who is Mr. Chi's brother and a total of 2,923,467 shares of US$0.10 each to Ms. Xu Yiming who is Mr. Chi's mother-in-law, as a token of appreciation for their support and assistance to Mr. Chi during the early stages of development of our Group; (ii) a total of 2,773,587 shares of US$0.10 each were transferred by the parties after arm's length negotiation at a consideration of RMB2.4 each to Mr. Jiang Taike due to the transfer of his entire interests in Weihai Cable and Changshu Cable to us; and (iii) the remaining 9,670,662 shares of US$0.10 each were transferred (determined by the Controlling Shareholder at his sole discretion) at a consideration of RMB2.4 each to 36 individuals, all Independent Third Parties, as a token of appreciation for their support and assistance to Mr. Chi at the early stage of development of our Group.

The total consideration paid by the Minority Shareholders was RMB29.5 million. In respect of the Minority Shareholders who paid the price per share at RMB2.4 (or HK$2.80), translating into an effective investment cost per Share of approximately HK$0.48 after the Subdivision, [●] and [●] and assuming that [●] is not exercised, based on the indicative [●] range, the price paid by the Minority Shareholders represents a discount of approximately [●]% to HK$[●] per Share, being the lower end of the stated [●] range, and a discount of approximately [●]% to HK$[●] per Share, being the upper end of the stated [●] range.

The Minority Shareholders who are our Directors, senior management and/or their associates, and their respective shareholding, are as follows:

Name of Minority Shareholders and position in/ relationship with the Company	Number of Shares owned immediately after the completion of the Subdivision, [●] and [●] (without taking into account the exercise of [●] or any options that may be granted under the Share Option Scheme)	Approximate percentage of shareholding held immediately after the completion of the Subdivision, [●] and [●] (without taking into account the exercise of [●] or any options that may be granted under the Share Option Scheme)
Chi Rongjie (Mr. Chi's father)	40,144,347	5.6%
Chi Zhongmin (Mr. Chi's brother)	3,674,118	0.5%
Xu Yiming (Director, Mr. Chi's mother-in-law)	17,126,918	2.4%
Jiang Taike (Director)	16,248,857	2.2%

Each Minority Shareholder has undertaken to the Company that he or she shall not in the period commencing on [●] and ending on the date which is one year from [●] ("One Year Period") dispose of, nor enter into any agreement to dispose of or otherwise create any interests or encumbrances in respect of any of the Minority Shareholders' Shares. Following the One Year Period, the Minority Shareholders may dispose of the Minority Shareholders' Shares with the prior approval of the Board of directors or its designated administration committee or personnel.

Other than disclosed above, the transfer of the Minority Shareholders' Shares is not subject to any restrictions.

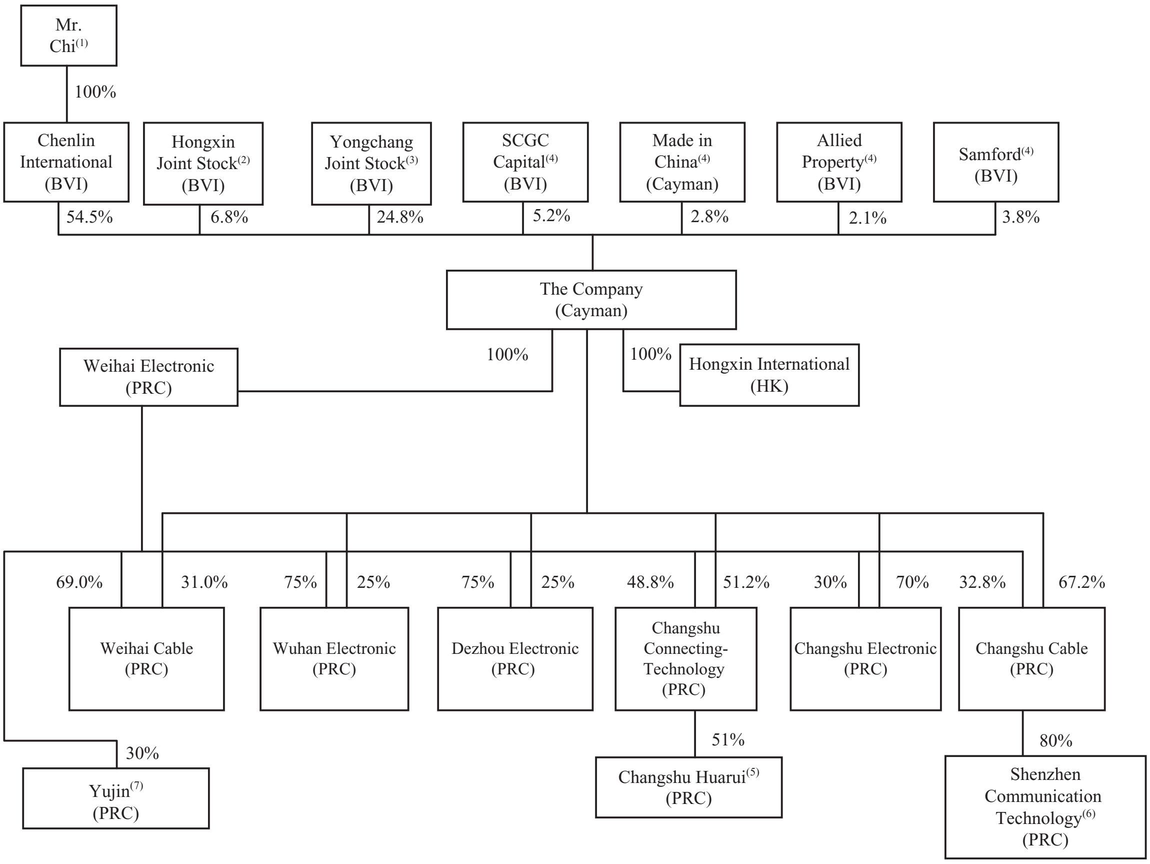
On 6 May 2010, in connection with an investment by Samford, an investor of the Company (for details, please refer to the paragraph headed "Investors — Samford" below), Mr. Chi Rongjie, Hongxin Joint Stock and Samford entered into a share transfer agreement for transferring an aggregate of 600,000 shares of US$0.10 each from Mr. Chi Rongjie to Samford at an aggregate price of US$1,200,000. Subsequent to such transfer, Hongxin Joint Stock held an aggregate of 22,847,275 shares of US$0.10 each (the "Minority Shareholders' Shares") in trust for each Minority Shareholder. On 10 June 2010, Hongxin Joint Stock transferred the legal title of all the Minority Shareholders' Shares to Yongchang Joint Stock for it to hold in trust for each Minority Shareholder.

E. Compliance with the relevant PRC laws and regulations

Our PRC legal advisor, Deheng Law Firm, has confirmed that all approvals and permits required under PRC laws and regulations in connection with each stage of the Reorganization have been obtained and the Reorganization complied with all the relevant requirements of applicable PRC laws and regulations in respect of the Reorganization.

Corporate Structure upon Completion of the Reorganization

The following chart sets forth the corporate structure of our Group immediately following the Reorganization:



Notes:

(1) Mr. Chi is the beneficial owner of 50,232,568 shares of US$0.10 each, representing approximately 54.5% of the issued share capital of our Company upon completion of the Reorganization.

(2) Hongxin Joint Stock held a total of 6,280,000 shares of US$0.10 each in trust for each of the Employee Shareholders, including three Directors of the Company, namely Mr. Li Jianming who is interested in 175,882 shares of US$0.10 each, Mr. Mao Wanjun who is interested in 253,732 shares of US$0.10 each and Mr. Sui Shikai who is interested in 175,284 shares of US$0.10 each.

(3) Yongchang Joint Stock held a total of 22,847,275 shares of US$0.10 each in trust for the following Minority Shareholders:

Name	Position in the Company	Number of shares of US$0.10 each	%
Mr. Chi Rongjie (father of Mr. Chi)	N/A	6,852,408	7.4
Mr. Chi Zhongmin (brother of Mr. Chi)	N/A	627,151	0.7
Ms. Xu Yiming (mother-in-law of Mr. Chi)	Director	2,923,467	3.2
Mr. Jiang Taike	Director	2,773,587	3.0
36 Other Minority Shareholders	N/A	9,670,662	10.5
Total		22,847,275	24.8

(4) Each of SCGC Capital, Made in China, Allied Property and Samford and their respective ultimate beneficial owners are Independent Third Parties and their shares will be counted into the percentage of securities held by the public.

(5) The remaining 49% interest was owned by Mr. Cheng Guanghua.

(6) The remaining 20% interest was owned by Ms. Yang Huahua.

(7) Yujin was an associate of the Company and previously engaged in the manufacture and sales of packing material for mould. The other shareholder of Yujin was Mr. Kim Kyung Hwan, an Independent Third Party, holding 70% interest. It was deregistered on 31 August 2010.

INVESTORS

SCGC Capital

SCGC Capital is an investment company incorporated in BVI and indirectly wholly owned by Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司), a venture capital firm in China which in turn is owned by 15 corporate entities, namely, the Shenzhen State-owned Assets Supervision and Administration Bureau (深圳市國有資產監督管理局), Shanghai Dazhong Public Utilities (Group) Co., Ltd. (上海大眾公用事業（集團）股份有限公司), Shenzhen Investment Holdings Co., Ltd. (深圳市投資控股有限公司), Guangdong Electric Power Development Co., Ltd. (廣東電力發展股份有限公司), Shenzhen Yixin Investment Co., Ltd. (深圳市億鑫投資有限公司), Shenzhen Futian Investment and Development Company (深圳市福田投資發展公司), Shenzhen Yantian Port Group Company Limited (深圳市鹽田港集團有限公司), Shenzhen Energy Group Co., Ltd. (深圳市能源集團股份有限公司), Xin Tong Chan Industrial & Development (Shenzhen) Co., Ltd. (新通產實業開發（深圳）有限公司), Hanhua Guarantee Co., Ltd. (瀚華擔保股份有限公司), Guangshen Railway Company Limited (廣深鐵路股份有限公司), ZTE, Shenzhen XingHe Real Estate Development Co., Ltd. (深圳市星河房地產開發有限公司)¸ Shenzhen Liye Group Co., Ltd. (深圳市立業集團有限公司) and Septwolves Group (福建七匹狼集團有限公司). None of the 15 corporate entities is engaged in business which competes or is likely to compete with the business of the Group. The businesses of such corporate entities include, among others, real estate development, public utilities, railway transportation and telecommunication, and each of them is an Independent Third Party to our Group save for their respective interests in our Company held through SCGC Capital.

On 28 March 2008, the Company and SCGC Capital entered into a subscription agreement (the "SCGC Subscription Agreement"), pursuant to which the Company issued an aggregate of 4,807,067 shares of US$0.10 each to SCGC Capital for a consideration of US$5,000,000 determined after arm's length negotiation by reference to the audited combined net profit of our Group for the year of 2007. The consideration was paid in two installments on 8 April 2008 and 17 April 2008, respectively, and the completion of the SCGC Subscription Agreement took place on 8 November 2008 in accordance with the SCGC Subscription Agreement. Under the SCGC Subscription Agreement, SCGC Capital has the right to nominate one director, and has nominated Mr. Du Li, to join the Board of the Company as a non-executive Director. Such nomination right shall be terminated upon [●]. Saved as disclosed, the shares that are held by SCGC Capital do not enjoy any other special rights and are not subject to any lock-up after [●] as the SCGC Subscription Agreement was duly entered into and completed back in 2008, the price and commitments being affixed on the parties with no adjusting mechanism nor guaranteed exit price and the interest held by SCGC Capital in our Company is expected to be only 3.9% immediately following the completion of the Subdivision, [●] and [●] and assuming that [●] is not exercised. Such shares will be counted towards part of the public float as SCGC Capital will not be a connected person of the Company under the relevant rules. The cost per share paid by SCGC Capital was approximately US$1.0 (or HK$7.76), translating into an effective investment cost per Share of approximately HK$1.38 after the Subdivision, [●] and [●] and assuming that [●] is not exercised.

Based on the indicative [●] range, the effective investment cost paid by SCGC Capital represents a discount of approximately [●]% to HK$[●] per Share, being the lower end of the stated [●] range, and a discount of approximately [●]% to HK$[●] per Share, being the upper end of the stated [●] range.

Made in China and Allied Property

On 8 May 2008 and 2 June 2008, Chenlin International entered into a share transfer agreement with each of Made in China and Allied Property, both investment holding companies, to transfer to them 2,600,320 shares of US$0.10 each and 1,950,240 shares of US$0.10 each of the Company at a cash consideration of US$2,857,143 which was fully paid on 16 May 2008 and US$2,142,857 which was paid in two installments on 19 June 2008 and 25 June 2008, respectively. The beneficial owner of Made in China is Chen Ping who is a private investor and a Canadian citizen and the beneficial owner of Allied Property is Chau Wai Man who is a private investor and a Hong Kong citizen. Both of such beneficial owners are Independent Third Parties to our Group save for their respective interest in our Company held through Made in China and Allied Property, respectively. The consideration was determined after arm's length negotiations by reference to the audited combined net profit of our Group for the year of 2007. The consideration was fully paid by Made in China and Allied Property in May 2008 and June 2008, respectively, and the transfer of shares to Made in China and Allied Property completed on 10 October 2008 and 12 October 2008, respectively, in accordance with the share transfer agreements. Under their agreements, Made in China and Allied Property have the right to jointly nominate one director, who is Mr. Wu Kezhong, to join the Board of the Company. Such nomination right shall be terminated upon [●]. Saved as disclosed, the shares held by Made in China and Allied Property do not enjoy any special rights and are not subject to any lock-up after [●] as each share transfer agreement was duly entered into and completed back in 2008, the price and commitments being affixed on the parties with no adjusting mechanism nor guaranteed exit price and the interest held by Made in China and Allied Property in our Company is expected to be only 2.1% and 1.6%, respectively, immediately following the completion of the Subdivision, [●] and [●] and assuming that [●] is not exercised. Such Shares will be counted towards part of the public float as each of Made in China and Allied Property will not be a connected person of the Company under the relevant rules. The cost per share paid by Made in China and Allied Property were approximately US$1.10 (or HK$8.54), translating into an effective investment cost per Share of approximately HK$1.46 after, the Subdivision, [●] and [●] and assuming that [●] is not exercised, respectively. Based on the indicative [●] range, the effective investment cost paid by Made in China and Allied Property represents a discount of approximately [●]% to HK$[●] per Share, being the lower end of the stated [●] range, and a discount of approximately [●]% to HK$[●] per Share, being the upper end of the stated [●] range.

Samford

On 6 May 2010, Mr. Chi, Chenlin International and Samford, a company engaged in investment business, entered into a subscription agreement (the "Samford Agreement"), pursuant to which the Company issued to Samford an aggregate of 2,857,422 shares of US$0.10 each for a consideration of US$5,000,000 determined after arm's length negotiation by reference to the audited combined net profit of our Group for the year of 2009. The consideration was paid in two installments on 18 May 2010 and 11 June 2010, respectively. The beneficial owner of Samford is Wong, Danny F who is a private investor and a Hong Kong citizen, and is an Independent Third Party to our Group save for his interest in our Company held through Samford. The cost per share paid by Samford was approximately US$1.7 (or HK$13.20), translating into an effective investment cost per Share of approximately HK$2.25 after, the Subdivision, [●] and [●] and assuming that [●] is not exercised. Based on the indicative [●] range, the effective investment cost paid by Samford represents a discount of approximately [●]% of HK$[●] per Share, being the lower end of the stated [●] range, and a discount of approximately [●]% to HK$[●] per Share, being the upper end of the stated [●] range.

On the same day, Samford also entered into a share transfer agreement with Mr. Chi Rongjie and Hongxin Joint Stock for transfer from Mr. Chi Rongjie to Samford an aggregate of 600,000 shares of US$0.10 each at an aggregate cash consideration of US$1,200,000 determined after arm's length negotiation by reference to the combined net profit of our Group for the year of 2009. The consideration was fully paid on 11 June 2010. The cost per share paid by Samford was approximately US$2.0 (or HK$15.53), translating into an effective investment cost per share of approximately HK$2.65 after the Subdivision, [●] and [●] and assuming that [●] is not exercised. Based on the indicative [●] range, the effective investment cost paid by Samford represents approximately [●]% of HK$[●] per Share, being the lower end of the stated [●] range, and a discount of approximately [●]% to HK$[●] per Share, being the upper end of the stated [●] range.

The above-mentioned investment and transfer have completed. In accordance with the agreements, the consideration under the Samford Agreement and the share transfer agreement was fully paid on 11 June 2010, and the completion of the Samford Agreement and the share transfer agreement both took place on 8 June 2010. Under the Samford Agreement, our Controlling Shareholders provided undertaking regarding the audited consolidated net profit of our Group for not less than RMB150,000,000 for the year ending 31 December 2010 and agreed to indemnify Samford in the event of a default of such undertaking. Such undertaking and indemnity provisions however shall all be terminated upon [●]. Saved as disclosed, the shares held by Samford do not enjoy any other special rights and are not subject to any lock-up after [●] as the agreement has been entered into and duly completed before [●], with the price and commitments being affixed on the parties with no adjusting mechanism nor guaranteed exit price in relation to [●] and the interest held by Samford in our Company is expected to be only 2.8% immediately following the completion of the Subdivision, [●] and [●] and assuming that [●] is not exercised. Such Shares will be counted towards part of the public float as Samford will not be a connected person of the Company under the relevant rules.

Each of Shenzhen Capital Group Co., Ltd., Made in China, Allied Property and Samford, respectively, approached the Company through referral and decided to invest in our Group based on their own assessment on the future prospects of and as a result of arm's length negotiation with our Group and/or our Controlling Shareholders and/or Mr. Chi Rongjie. The investment scope of Shenzhen Capital Group Co. Ltd. (holding company of SCGC Capital) is primarily in small to mid cap growth type technology enterprises. Made in China is engaged in a variety of investment holding business, except property development and mining businesses. Allied Property is an investment holding company that has no other investment save for its interest in our Company. Samford is engaged in investment of mechanical, electronic and environmental protection businesses. Each of SCGC Capital, Made in China, Allied Property and Samford is not engaged in any business or currently has any other investment holding which competes with the Group's business. The Directors believe that investments made by SCGC Capital, Made in China, Allied Property and Samford would in general (a) improve the capital structure and provide a long-term and stable source of funding to our Group; (b) provide stronger and more strategic planning support to the Group by leveraging on their various investment experiences; (c) strengthen corporate governance, financial expertise and capital market access, increase potential merger and acquisition opportunities and improve business development of our Group; and (d) help reduce the Group's reliance on bank borrowings.

The proceeds from the investment of SCGC Capital were principally applied towards financing the expansion of the signal cable assembly and power cord assembly production facilities of Weihai Electronic, and that from Samford were principally applied towards financing the expansion of the connector production facilities of Changshu Connecting-Technology, and the wire and cable production facilities of Changshu Cable.

RECENT DEVELOPMENT

A. Incorporation of Changshu Huarui and Shenzhen Communication Technology

Changshu Huarui was established in Suzhou, Jiangsu Province on 18 April 2009 with a registered capital of RMB20,000,000 and owned as to 51% by Changshu Connecting-Technology and as to 49% by Mr. Cheng Guanghua, a Chinese businessman and an Independent Third Party. Changshu Huarui was primarily engaged in manufacture and sale of iron panel and aluminum plate used for computer key board to provide complementary to our existing products mix and enhance our competitiveness.

Leveraging on our strong research and development capability in signal transmission products, our Group entered into the wireless telecommunication industry. On 5 November 2009, Shenzhen Communication Technology was established with a registered capital of RMB6,000,000 in Shenzhen, Guangdong Province to engage in manufacture and sale of router antenna, WIFI antenna and telephone antenna. Shenzhen Communication Technology was owned as to 80% by Changshu Cable and as to 20% by Ms. Yang Huahua, an Independent Third Party.

B. Incorporation of Hongxin International

On 22 February 2010, Hongxin International was incorporated in Hong Kong with limited liability with an authorized share capital of HK$10,000 divided into 10,000 shares with a par value of HK$1.00 each. On the same day, one share was allotted and issued as fully paid to the Company. Hongxin International was established to engage in the businesses of international trade and trade services between China, Hong Kong and Taiwan.

C. Incorporation of Honglin Technology

On 21 July 2010, Honglin Technology was incorporated in Taiwan as a limited liability company wholly owned by us to engage in research and development work on antennas and connectors used in mobiles handsets, notebooks, GPRS systems and network communications (including routers and network cards) and to expand our sales and marketing efforts primarily targeting overseas customers.

D. Incorporation of Chongqing Technology

On 27 August 2010, Chongqing Technology was incorporated in Chongqing, China as a limited liability company wholly owned by us to primarily engage in production of LVDS type of notebook internal signal cable assembly and power cord assembly.

SUBDIVISION OF SHARES

In order to facilitate the issue of Offer Shares in connection with [●], we passed a shareholders' resolution on 25 October 2010 to approve the subdivision of each then issued and unissued shares of US$0.10 each in the share capital of our Company into 5 Shares of US$0.02 each so that the authorized share capital of our Company becomes 2,500,000,000 Shares of US$0.02 each.

PRC GOVERNMENT APPROVALS

SAFE registration

Pursuant to the Notice on Relevant Issues about Foreign Exchange Administration for Domestic Individuals to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("No 75") enacted by SAFE on 21 October 2005 and became effective on 1 November 2005, a PRC individual engaging in stock right financing (including convertible bond financing) abroad with the enterprise assets or interests within the PRC via overseas special purpose vehicle ("SPV") shall apply to register with the local branch of foreign exchange administration for foreign exchange registration of overseas investments. Upon completion of overseas financing, the PRC individual may, according to the plan on use of funds as stated in the business plans or the document, transfer the funds which ought to be arranged for use within the PRC back into the PRC. A PRC individual may, after completing the procedures for foreign exchange registration of overseas investments or for modification thereof in accordance with the legal provisions, pay the profits, dividends, liquidation expenses, stock right assignment expenses and capital decrease expenses to the SPV. Where a SPV incurs a material change in its capital such as capital increase or decrease, stock right assignment or exchange, merger or division, investment with long-term stock rights or credits, and provision of guaranty to a foreign party, and is not involved in return investment, the PRC individual shall, within 30 days of the material change, apply to the foreign exchange administration for such change. On 29 May 2007, the SAFE issued the Notice of the Operating Guidance for the Notice on Relevant Issues about Foreign Exchange Administration for Domestic Individuals to Engage in Financing and in Return Investment via Overseas Special Purpose Companies (關於印發《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》操作規程的通知).

As advised by our PRC legal advisor, Deheng Law Firm, Mr. Chi, being the ultimate controlling shareholder of the Company and a PRC individual, is required to register, and duly completed the registration, with the Shandong branch of SAFE on 5 March 2008.

As advised by our PRC legal advisor, Deheng Law Firm, Mr. Xu Menggang who is the sole shareholder of Hongxin Joint Stock, Mr. Chi Rongjie and Mr. Jiang Taike, both being the shareholders of Yongchang Joint Stock, all the Employee Shareholders and Minority Shareholders, being the ultimate shareholders of the Company and each a PRC individual, are required to register or file, and duly completed the registration and filing, with the Shandong branch of SAFE on 5 March 2008 and 13 July 2010.

M&A Rules

On 8 August 2006, six PRC regulatory agencies, including MOFCOM, CSRC and SAFE jointly promulgated the Rules on the Acquisition of Domestic Enterprises by Foreign Investors 《關於外國投資者併購境內企業的規定》(the "M&A Rules") to regulate the mergers and acquisitions of domestic enterprises by foreign investors, which came into effect on 8 September 2006. The M&A Rules, among other things, purport to require that an SPV formed for listing purposes and controlled directly or indirectly by PRC companies or individuals shall obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange, especially in the event that the SPV acquires shares of or interests in the PRC companies in exchange for the shares of offshore companies. On 21 September 2006, CSRC published procedures specifying documents and materials required to be submitted by SPVs seeking CSRC's approval of their overseas listing.

As advised by our PRC legal advisor, Deheng Law Firm, [●] of our Company does not require the approval of CSRC, because the PRC operating companies acquired by the Company are foreign invested companies which are not subject to the jurisdiction of the M&A Rules.

OVERVIEW

We are a "one-stop" provider of a broad line of cable assembly and connector related products with a leading market share for external signal cable assembly, notebook internal signal cable assembly, power cord assembly and signal transmission wire & cable products for the global high-end consumer electronics industry. We focus on the design, research and development, manufacture and sale of our own "Hong-lin" brand name products and have developed an extensive product portfolio covering signal cable assembly, power cord assembly, wire & cable (primarily for signal transmission purpose) and connector products which are mainly used in (i) personal computers and notebooks, (ii) LCD and LED TV, (iii) mobile phone handsets and (iv) digital cameras. In addition, we offer a comprehensive range of products of different specifications and varieties within each key product type and are therefore able to provide our target customers with a "one-stop" total solution for their signal cable assembly, power cord assembly, wire & cable and connector products needs. We have also developed and started manufacturing of wireless antenna products for signal transmission use in notebooks, routers and mobile handsets in 2010.

According to Frost & Sullivan, an independent market research and consulting company, in our target global high-end consumer electronics market which amounted to about US$560.5 billion or represented about 82.3% of the global consumer electronics market in 2009 (total size in terms of revenue amounting to about US$681.0 billion in 2009), (i) we are the second largest manufacturer of external signal cable assembly products in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 20.8% and 21.8%, respectively; (ii) among all the notebook internal signal cable assembly manufacturers in the world, we ranked fifth in terms of revenue for 2009 with a market share of 10.7% and third in terms of revenue for the first half of 2010 with a market share of 19.0%; (iii) we ranked fifth among all the power cord manufacturers in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 4.1% and 5.6%, respectively; and (iv) among all the signal transmission wire & cable manufacturers in the world, we ranked fifth in terms of revenue for 2009 with a market share of 3.9% and third in terms of revenue for the first half of 2010 with a market share of 7.3%. According to Frost & Sullivan, the global external signal cable assembly and power cord assembly markets catering to the consumer electronics industry and the global notebook internal signal cable assembly market are dominated by a few players with the top five players capturing about 85.3%, 90.3% and 90.6% of market share respectively in 2009 and 86.2% 94.2% and 94.1% of market share respectively in the first half of 2010 whereas the global signal transmission wire & cable market is fairly concentrated, with the top five players capturing about 54.0% and 71.0% of market share respectively in 2009 and the first half of 2010. For details on the top five players in such global product markets for the consumer electronics industry, please refer to the sections headed "Industry Overview — Global External Signal Cable Assembly Market — Competitive Landscape", "— Global Notebook Internal Signal Cable Assembly Market — Competitive Landscape", "— Global Power Cord Assembly Market — Competitive Landscape" and "— Global Signal Transmission Wire & Cable Market — Competitive Landscape".

We have been selected as a core supplier for a number of our products to Samsung, LG, Eastman Kodak, Amphenol, Haier, Hisense, Quanta, Compal, Qisda, TPV Technology, Wistron, Innolux, ZTE and Inventec. Of such customers, LG, TPV Technology, Samsung, Compal, Quanta and Haier were among our ten largest customers during the Track Record Period whereas Eastman Kodak, Amphenol, Hisense, Qisda, Wistron, Innolux, ZTE and Inventec were not. The Directors believe that the reasons for us being selected as core supplier were because we were able to meet the key criteria that these customers normally require for their selection of core suppliers, including but not limited to

(i) strong research and development capabilities that allow their core suppliers to design and develop new products and solutions that meet such customers' requirements in a timely manner; (ii) ability to meet their requirements for high product quality and timely product delivery; (iii) comprehensive product offerings; and (iv) strong manufacturing capabilities. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, total sales to these customers (determined on the basis that sales to all the member companies of a group company are combined as sales to one customer) amounted to approximately RMB284.5 million, RMB407.1 million, RMB449.5 million and RMB321.5 million, accounting for 43.6%, 45.3%, 51.5% and 50.6% of total revenue, respectively. We believe that our strong research and development capability, continuous focus on product innovation and stringent quality control enable us to provide a range of high and stable quality products that meet the requirements of our customers and become a strategic partner and major supplier to many of our key customers, such as Samsung, LG, Eastman Kodak, Haier, Hisense, Compal, Qisda, TPV Technology and Amphenol, with which we have established strong and long-standing relationships. Sales to our top ten customers amounted to about RMB433.9 million, RMB540.4 million, RMB549.0 million and RMB381.7 million and accounted for about 66.5%, 60.2%, 62.9% and 60.0% of the total sales during the Track Record Period. In terms of total number of customers, our customers increased from 68 as at the end of 2007 to 97 as at the end of 2008, 124 as at the end of 2009, and 147 as at the end of June 2010.

Our key manufacturing facilities are strategically located in (i) Weihai, Shandong Province; (ii) Suzhou, Jiangsu Province; (iii) Wuhan, Hubei Province; and (iv) Shenzhen, Guangdong Province, which are major consumer electronics manufacturing and/or distribution hubs in China. We believe that our proximity to our key customers enables us to provide a more timely response to customer requirements and quality services in terms of customer communications, understand their latest product development strategies, provide prompt technical support and maintain closer collaboration with such customers.

We adopt a vertically integrated production process starting from the production of our own plastic materials, drawing of our own copper, and processing of wire & cable products into finished signal cable assembly and power cord assembly products. For production of our connector products, we are able to conduct key processes in-house such as product design and development, stamping and plastic mold design, metal stamping, plastic injection and final product assembly. This vertically integrated strategy enables us to, among others, conduct highly coordinated research and development and production activities to design and produce new products in a timely manner in order to meet the requirements of our customers, to have better control over the quality of our products, and to enhance our cost effectiveness, thereby increasing our overall competitiveness.

Due to the ever changing nature of the consumer electronics industry, we place a strong emphasis on research and development which allows us to continuously develop innovative high quality products, working closely with our customers in the initial design of the cable assembly and connector related components they require for use in their new products and meet their quality and delivery requirements. We also focus our research and development efforts on ways to reduce the cost and increase the manufacturing efficiency of our existing products while investing significant resources in developing new products. To further strengthen our research and development capability, our research and development staff within the engineering department located in each key manufacturing facility will only focus on improving the quality of existing products and increasing manufacturing efficiency while research and development of new types of products will be carried out in dedicated research and development centers. Major research and development projects that we undertook during the Track Record Period include, among others, those related to high speed parallel data cable, data transmission line, wireless communication signal coaxial cable, high-frequency signal transmission wire and preparation method, and power supply signal cable. Our current research and development projects for new products include specialty power cable, high speed cable, environmentally friendly low smoke halogen-free insulating materials, solar connectors and automotive wiring harness products. According to Front & Sullivan we are one of the first Chinese manufacturers to develop and produce one-piece shield plug (一體式屏蔽插頭) and high speed cable (高速平衡對稱數據線纜) and, also one of the few Chinese manufacturers which have successfully developed LVDS assembly and high frequency data cable which exceeds 20 Gigabit Ethernet. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our research and development expenses amounted to approximately RMB23.2 million, RMB26.3 million, RMB27.3 million and RMB12.7 million, accounting for 3.5%, 2.9%, 3.1% and 2.0% of total revenue, respectively.

In line with our initiatives to explore new potential markets and in response to increasing market demand for cable assembly and connector related products with an increasing variety of applications, in addition to our newly developed antenna products, we plan to increase our product offerings to include automotive wiring harness products, specialty power cables and solar connectors and also increase our focus on the manufacture and sale of halogen-free insulating materials, a relatively new type of environmental friendly materials increasingly used for cable jacketing in the wire and cable industry. We will establish a research and development center in Weihai in December 2010, dedicated to developing new products such as automotive wiring harness and specialty power cables. The new research and development center in Suzhou expected to be operational in December 2010 would primarily be used for research and development of high frequency data type of communication cables, antennas, solar power connectors and halogen-free insulating materials while the new research and development center in Taipei, Taiwan which started to be operational in September 2010 will primarily focus on antennas and connectors used in mobile handsets, notebooks, GPRS systems and network communications (including routers and network cards).

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we recorded revenue of approximately RMB652.6 million, RMB898.0 million, RMB872.4 million and RMB635.7 million, respectively. For the same period, we recorded net profit attributable to owners of our Company of RMB62.7 million, RMB54.4 million, RMB88.3 million and RMB69.7 million, respectively. The decrease in revenue in 2009 as compared to 2008 was primarily due to an overall decrease in average unit selling prices of our products mainly as a result of lower average copper price in 2009, which was partially offset by an overall increase in sales volume of our products as we increased production to meet customer demand as the global economy started to recover in 2009. Net profit attributable to owners of our Company decreased in 2008 as compared to 2007 primarily due to (i) the decrease in gross profit margin and increases in bad debt provision and provision for impairment of inventories in 2008 as compared to 2007, mainly as a result of the negative impact of the economic downturn in 2008; and (ii) an increase in income tax expenses from RMB2.4 million in 2007 to RMB11.5 million in 2008 as we recognized the withholding tax of RMB6.2 million on profits to be distributed to our shareholders as dividends in 2008 pursuant to the new PRC income tax law while there was no such withholding tax in the prior year.

COMPETITIVE STRENGTHS

We consider our principal competitive strengths are as follows:

"One-stop" provider of cable assembly and connector related products with leading market share for signal cable assembly, power cord assembly and signal transmission wire & cable products in the global high-end consumer electronics industry

We offer our customers with a "one-stop" total solution for their cable assembly and connector related products needs and we are one of the leading providers of signal cable assembly and power cord assembly related products in the global high-end consumer electronics industry. According to Frost & Sullivan, in our target consumer electronic product market:

- we are the SECOND largest manufacturer of external signal cable assembly products in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 20.8% and 21.8%, respectively;
- among all the notebook internal signal cable assembly manufactures in the world, we ranked FIFTH in terms of revenue for 2009 with a market share of 10.7% and THIRD in terms of revenue for the first half of 2010 with a market share of 19.0%;
- we ranked FIFTH among all the power cord assembly manufacturers in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 4.1% and 5.6%, respectively; and
- among all the signal transmission wire & cable manufacturers in the world, we ranked FIFTH in terms of revenue for 2009 with a market share of 3.9% and THIRD in terms of revenue for the first half of 2010 with a market share of 7.3%.

Our cable assembly and connector related products are sold under the "Hong-lin" brand. We started to manufacture and sell our products under our own brand in 2000 and, since then, the "Hong-lin" brand has developed into a well-recognized brand of cable assembly and connector related products in the consumer electronics industry which is highly recognized by our customers, relevant industry associations and government bodies. We have successfully obtained the safety certifications for our power cord assembly products from 29 countries covering substantially all of the major target markets for our power cord assembly products.

Our management team has played a key role in our achieving our market leadership position through building a result-driven corporate culture that encourages delivering consistent and high-quality products and services, lowering costs and improving market responsiveness. Our executive Directors have in-depth industry and professional knowledge as well as extensive operating experience, technical know-how and management skills, with an average of about 17 years of relevant industry experience. Our Chairman and CEO, Mr. Chi, has over 15 years of experience in the wire & cable industry and is responsible for overseeing our overall business operation and formulating our strategic development. Mr. Chi has received numerous awards and other recognitions for his achievements, including, among others, the "Weihai City's Outstanding Young Entrepreneurs" (威海市優秀青年企業家) award jointly awarded by Weihai City Commission of the Communist Youth League of the PRC, the Administration for Industry and Commerce of Weihai City, Weihai Broadcast TV Station, the Weihai Economic and Trade Commission, the Weihai Daily and the Young Entrepreneurs' Association of Weihai City in 2008 and 2010 and the "Outstanding Entrepreneurs of Shandong Province (the 18th Series)" (十八屆山東省優秀企業家) award from the Selection Committee for Outstanding Entrepreneurs in Shandong Province in April 2010.

We believe that our market leadership position and strong reputable brand enable us to consolidate our relationship with existing customers, continue to expand customer base and enhance our leading position in our target markets.

Strong research and development capabilities and commitment to product innovation and quality

We believe that the possession of design capability, research and development expertise and production technology to manufacture products which can meet customers' specific requirements on product performance and functions and to develop new products is a key success factor for any manufacturer of cable assembly and connector related products. As such, we place a strong emphasis on research and development and have research and development teams based in our manufacturing facilities in Weihai and Suzhou, which focus on improving our existing technology, processing techniques, production efficiency and the development of new products.

As of the Latest Practicable Date, our research and development team comprised 67 personnel with undergraduate or higher educational qualifications with the rest all having obtained other post-secondary diplomas or qualifications at the Latest Practicable Date, we held 45 registered patents and had 44 patent applications pending for registration in China and we held 3 registered patents and had 1 patent application pending for registration in Taiwan. See "Appendix VI — Statutory and General Information — Intellectual property rights".

According to Frost & Sullivan, we are one of the first Chinese manufacturers to develop and produce one-piece shield plug (一體式屏蔽插頭) and high speed cable (高速平衡對稱數據綫纜) and we are also one of the few Chinese manufacturers which have successfully developed LVDS assembly and high frequency data cable which exceeds 20 Gigabit Ethernet. We believe that our strong research and development capabilities and track record of product development have enabled us to become a strategic partner in the design and development of new products to many of our key customers. These relationships have allowed us to enjoy relatively higher profit margins and secure a larger market share during the initial launch of such new products after their successful development.

We believe that our reliable and high quality products are essential to maintaining our strong relationships with customers and our reputation. We have a comprehensive quality control system for raw material inspection, quality control over various production processes and final testing of finished products to ensure that our products comply with our internal quality standards and international technical specifications and satisfy requirements of our customers. To ensure our high product quality, we have acquired and used a number of high-precision and advanced equipment for testing the performance and reliability of our products. In addition, we have built up a team of quality control personnel, which totaled 155 as of 30 June 2010. As a result of our strong focus on product quality standards and controls, we have been awarded a number of certifications for our existing production facilities, including the ISO9001:2008, ISO14001:2004, ISO/TS16949:2009 and QC080000 certifications. In addition, we were awarded with the Supplier Quality Excellence Award (品質優秀供應商) by LG Electronics Nanjing Display Co., Ltd. in December 2003 and as a Grade A (on a scale of "A" to "E", with "A" being the best) supplier by Samsung in September 2008. Such Grade A grading exempted us from annual supplier review by Samsung in the following year (i.e. 2009). The Directors believe that in addition to our products quality, our research and development ability, manufacturing capacity, delivery timing accuracy and competitive pricing have also contributed to us being awarded such accolades from the abovementioned customers.

Comprehensive products offering

We provide our target customers with a "one-stop" total solution for their wire, cable and connector related products needs. We have developed an extensive product portfolio, comprising external signal cable assembly, internal signal cable assembly, power cord assembly, wire & cable (primarily for signal transmission purpose), and connector products focusing on the high-end global consumer electronics industry. We have also developed and started manufacturing of wireless antenna products for signal transmission use in notebooks, routers and mobile handsets in 2010, further increasing the range of our product portfolio. In addition, we offer a comprehensive range of products of different specifications and varieties within each key product type.

We also provide our customers with customized product solutions that address their specific needs and requirements. We believe that our comprehensive product offerings and product customization ability differentiate ourselves from many other cable and wire product suppliers who do not offer such comprehensive product offerings. We believe that our ability to provide a "one-stop" total solution for our customers enables us to attract a lot of high profile and industry leading customers and allows us to compete effectively with other suppliers of cable and wire products in the selection process of strategic suppliers by our customers.

Vertically integrated and cost efficient business model

We adopt a vertically integrated production process starting from the production of our own plastic materials, drawing of our own copper, and processing of wire & cable products into finished signal cable assembly and power cord assembly products. For production of our connector products, we are able to conduct key processes such as product design and development, stamping and plastic mold design, metal stamping, plastic injection and final product assembly in house.

We believe that our vertically integrated business model allows us to enhance our overall competitiveness through:

- the ability for us to conduct highly coordinated research and development and production activities to design and produce new products in a timely manner in order to meet the requirements of our customers;
- lowering our overheads and production costs and further enhancing our overall cost effectiveness;
- the exercise of better control over overall product quality and ensuring the timely delivery of our products; and
- the establishment of standard production systems which improve our production efficiency.

Solid customer base and strategically located production facilities

We are a strategic partner and major supplier of signal cable assembly, power cord assembly, wire & cable, and connectors product to many of our key customers. We have maintained strong and long-term relationships with a number of leading global equipment manufacturers in the consumer electronics industry. We have been selected as a core supplier for a number of our products to Samsung, LG, Eastman Kodak, Amphenol, Haier, Hisense, Quanta, Compal, Qisda, TPV Technology, Wistron, Innolux, ZTE and Inventec. As of 30 June 2010, we have a total of 42 customers who have had business relationship with us for over three years, accounting for 72.2%, 71.6%, 71.7% and 64.1%

of our revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively.

We understand that our customers, especially those leading global brand name and non-brand name equipment manufacturers in the consumer electronics industry, normally only maintain a small pool of qualified suppliers to ensure a stable and high quality supply of parts either to their own factories or to their contract manufacturers. The selection criteria and qualification process to become a qualified supplier to each of our customers is stringent, comprehensive, rigorous and lengthy involving extensive assessment of operational scale, research and development capabilities, management team and systems, and testing. We have been successfully qualified by our customers and we do not believe such qualification can be attained by many of our competitors who lack scale and research and development capabilities. We believe the quality of our existing customer base attests to our production capability and product quality and provides assurance for future potential customers.

We have strategically located our key manufacturing facilities in Weihai, Suzhou, Wuhan and Shenzhen, which are major consumer electronics manufacturing and/or distribution hubs in China where many of our customers are located. Our proximity to these important customers enables us to provide a more timely response to customer requirements and better services in terms of customer communications, understand their latest product development strategies, provide prompt technical support and maintain closer collaboration with such customers as compared to many of our international competitors who tend to locate their manufacturing facilities in Guangdong Province and focus their research and development work in their home countries outside of China.

Our services to our customers are well supported by our strong manufacturing capabilities. We believe that we possess the manufacturing know-how to customize production solutions to meet varying customers' needs. Many of our production equipment and machineries are assembled and customized internally according to specifications designed by our research and development team to enhance our production capacities.

In addition, our production lines are able to easily accommodate the production of different types of cable assembly and connector related products on the same production lines. Our scale of production and flexible production lines enable us to achieve economies of scale enhancing our price competitiveness, and allow us to respond faster to the changing demands of our customers to capture new business opportunities and fulfill new production needs quickly.

BUSINESS STRATEGIES

Further strengthen our leading market position and increase our market share

We intend to further strengthen our leading market position through (i) further strengthening our research and development capabilities, (ii) development of new products, and (iii) expansion of our production capacity.

Further strengthening our research and development capabilities

We will continue to expand our research and development capability. In addition to further strengthening our research and development of existing products through our research and development staff within the engineering departments based in our manufacturing facilities, we will, through our new research and development centers in Weihai, Suzhou and Taipei, develop cable assembly and connector related products for signal transmission purpose for new markets. Our new research and development centers in Weihai and Suzhou are expected to be fully operational in December 2010, respectively while our research and development center in Taipei started to be operational in September 2010. The focuses of our research and development activities are (i) automotive wiring harness and specialty power cables in Weihai, (ii) high frequency communication cables, antennas, solar connectors and environmentally friendly low smoke halogen-free insulating materials in Suzhou and (iii) antennas and connectors for mobile handsets, notebooks, GPRS systems and network communications (including routers and network cards) in Taipei.

We believe our strong research and development capabilities and strong track record of successful new product development are essential to our success and for us to become a competitive candidate as an exclusive or a selected research and development partner to our customers. Through working closely with our customers on the initial design and development of new products, we may gain market share and enjoy higher profit margin during the initial launch of the new products. To strengthen our research and development capabilities and distinguish ourselves from our competitors, we intend to continue our investment in product design and develop and implement more cost-effective manufacturing techniques. We will also continue to place an emphasis on the recruitment of high-caliber and experienced research and development personnel as we expand our research and development capabilities through our new research and development centers in Weihai, Suzhou and Taipei.

Development of new products

A key objective of our growth strategy is to expand the scope of our business by broadening our product portfolio to take advantage of new opportunities. In particular, we intend to focus on the design and development of antennas, automotive wiring harness, specialty power cables, solar connectors and environmentally friendly low smoke halogen-free insulting materials. Our plan to launch these products is as follows:

- Antennas: Through our Shenzhen subsidiary, we now have the design and other technological abilities and manufacturing capacity required for the volume production of wireless antennas mainly for use in notebooks, routers and mobile handsets and we plan to use our Taipei research and development center (which started to be operational in September 2010) for development of new antenna products. We have started to manufacture and sell wireless antennas for notebooks, routers and mobile handsets in 2010.
- Automotive Wiring Harness Products: We plan to develop our automotive wiring harness products by building our own production facilities and/or making future strategic acquisitions. We expect to begin the volume manufacturing by the first half of 2011.
- Specialty Power Cables: Our specialty power cables are a special type of power cables that are anticorrosion and heat resistant and will be used mainly in ships, trains, wind power generation and solar power generation. We plan to commence the volume manufacturing and sell specialty power cables under our own brand in Weihai and Chongqing by the second half of 2011.
- Solar Connectors: Our solar connectors will be used mainly to connect wafer in the solar power generation systems. We plan to commence the volume manufacturing and sales of the solar connectors by the second half of 2011.

- Low smoke halogen-Free Insulating Material: halogen-free insulating materials is a relatively new type of environmental friendly low smoke materials used for cable jacketing and because of its relatively positive attributes over standard plastic materials, the Directors believe that such environmentally friendly low smoke halogen-free materials would be increasingly being applied in the cable assembly industry. We plan to commence the volume manufacturing of environmentally friendly low smoke halogen-free insulating materials by the end of 2010.

Expanding our production capacity

We will continue to expand our production capacity to cater for the growing demand from our customers and to realize potential economies of scale. We have identified a site in Chongqing which we plan to use for building production plants primarily for the manufacture of LVDS type of notebook internal signal cable assembly, power cord assembly, and wire & cable products and expect to complete its construction and commence commercial production by 2011 and 2012, respectively. We have also identified a site in Huizhou, Guangdong which we plan to use for building production plants primarily for the manufacture of antennas and signal transmission wire & cable and expect to complete its construction and commence commercial production by 2012. We have also identified a new site in Wuhan where we plan to relocate our existing facilities in Wuhan to and expand our existing production plants for external signal cable assembly and power cord assembly products. Specifically, we currently aim to achieve the following production capacity expansion targets:

	For the year ended 31 December			Expansion plan
	2010	2011	2012	
● External signal cable assembly (million units)	90-110	140-160	190-210	• install additional production lines in our production facilities in Wuhan and the increase in production capacity is expected to be completed by the third quarter of 2011 • establish new production plants in our production facilities in Dezhou and the increase in production capacity is expected to be completed by the third quarter of 2011
● Internal signal cable assembly – LVDS assembly (million units)	40-50	60-70	80-90	• install additional production lines in our production facilities in Dezhou and the increase in production capacity is expected to be completed by the third quarter of 2011 • establish new production plants in Chongqing in the first half of 2011 • install production lines in our production facilities in Chongqing and commence production of internal signal LVDS cable assembly by the first half of 2011
— FFC assembly (million units)	5-10	25-30	40-50	• set up new production plants and install production lines in our production facilities in Suzhou by the first half of 2011

	For the year ended 31 December			Expansion plan
	2010	2011	2012	
● Power cord assembly (million units)	70-90	130-150	220-250	• install additional production lines in our production facilities in Weihai and the increase in production capacity is expected to be completed by the third quarter of 2011 • install additional production lines in our production facilities in Wuhan and the increase in production capacity is expected to be completed by the third quarter of 2011 • establish new production plants in Chongqing by the first half of 2011 • install production lines in our new production facilities in Chongqing and commence production of power cord assembly by the first half of 2011
● Wire & cable (million meters)	1,280-1,380	1,450-1,550	1,750-1,850	• set up new production plants in our production facilities in Suzhou and Huizhou by the first half of 2011 • install production lines in our new production facilities in Chongqing and commence production of wire & cable products by the first half of 2011 • install new production lines for signal transmission wire & cable products, in particular high frequency communication cable in our new production facilities in Huizhou by the first half of 2012
● Connectors (million units)	150-200	450-550	700-850	• set up new production plants and install production lines in our production facilities in Suzhou by the first half of 2011

Leveraging our close relationship with reputable customers to further develop existing and new markets for our products

Our close relationships with a number of leading global brand name and non-brand name equipment manufacturers in the consumer electronics industry provide us opportunities to further develop our current and new markets for our products. Leveraging on such customer relationships, we intend to expand our business with our existing customers by becoming a qualified supplier of product types which our customers do not currently source from us or those which we have newly developed. Furthermore, many of our products, such as HDMI and USB Series of our external signal cable assembly products, can be used in other end-products including, among others, TV, digital camera and DVD player. As such, by leveraging our status as a strategic or other core supplier for leading global equipment manufacturers in the consumer electronics industry, we intend to expand the target markets for some of our products, thus creating new demand for our products.

In addition, as we further expand the market penetration for our connector products by continuing to focus on offering them as part of our "one-stop" total solution along with our cable assembly and wire & cable products, we expect the contribution of our connector products to our total revenues to increase over time in the foreseeable future.

Expand our existing customer base by leveraging on our Taipei subsidiary to focus on leading and sizable consumer electronic products equipment manufacturers in Japan, Europe and North America

We expect that [●] will enhance our reputation as a leading manufacturer of cable assembly and connector related products and, coupled with our experience in serving global leading well-known customers in the consumer electronics industry, will help us solicit business from more large brand name or non-brand name equipment manufacturers in the consumer electronics industry and other industries. Our current customer base consists of a mix of global and local consumer electronics manufacturers located primarily in Korea, Taiwan and China. We have recently established a subsidiary in Taipei, Taiwan to expand our sales and marketing efforts to the overseas markets, focusing on Japan, Europe and North America. As Taiwan is a major market in the global information technology industry, especially in the notebooks and PC sectors, we believe that our Taipei subsidiary will provide us with the access to Taiwan's large and ready pool of talent and industry knowledge that we require for expansion in our target overseas markets. We believe that these markets present us with significant growth potential and we intend to develop our business relationships with and sell our products to leading and sizeable consumer electronics manufacturers in these markets either through our own sales force in the area or local agents.

Pursue opportune acquisition opportunities to complement our business development focuses and strengthen our research and development capabilities

We intend to evaluate opportune acquisition opportunities that could increase our production capacity, complement our product portfolio including but not limited to our existing and/or to be newly developed products, bring us new customer relationships or improve our technological expertise. Although we have not identified any acquisition targets currently, we will continue to seek to acquire, invest in, or form joint ventures or strategic alliances with, companies that we believe can provide proprietary and innovative production and engineering techniques, technologies or other advantages to our core business and new business development focuses. We believe that, upon [●], our status as a public company will help us identify more acquisition opportunities and provide us with a relatively strong financing capability to complete any acquisition.

Attract and retain skilled and experienced professionals

We believe that the recruitment, training and retention of skilled and experienced professionals are essential to the success of our business and our future business expansion. We plan to seek to recruit and retain domestic and international management and engineering talents by offering competitive compensation packages including bonus programs, share option schemes, performance incentives, and education and training allowances. We believe that our emphasis on training is an important factor in attracting and retaining employees. In this respect, we aim to offer periodic in-house training programs as well as to provide financial support to our employees seeking to attend external vocational programs. With skilled and well-trained professionals and other employees who are committed to their work, we should be able to enhance our production efficiency, improve our research and development capability and effectively implement our growth strategies.

OUR PRODUCTS

We are principally engaged in the design, development, manufacture, marketing and sale of a broad line of cable assembly and connector related products mainly for use in the high-end consumer electronics industry. Our products consist primarily of five product groups, namely, external signal cable assembly, internal signal cable assembly, power cord assembly, wire & cable products (primarily for signal transmission purpose) and connectors. We offer our customers with a comprehensive line of products for each of our product type. We have also developed and started manufacturing of wireless antenna products for signal transmission use in notebooks, routers and mobile handsets in 2010.

We commenced the manufacturing of signal cable assembly products in 1997 and have since become a leading producer of signal cable assembly, power cord assembly and wire & cable related products for our target consumer electronics market. According to Frost & Sullivan, an independent market research and consulting company, in our target global high-end consumer electronics market which amounted to about US$560.5 billion or represented about 82.3% of the global electronics market in 2009 (total size in terms of revenue amounting to about US$681.0 billion in 2009), (i) we are the second largest manufacturer of external signal cable assembly products in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 20.8% and 21.8%, respectively; (ii) among all the notebook internal signal cable assembly manufactures in the world we ranked fifth in terms of revenue for 2009 with a market share of 10.7% and third in terms of revenue for the first half of 2010 with a market share of 19.0%; (iii) we ranked fifth among all the power cord assembly manufacturers in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 4.1% and 5.6%, respectively; and (iv) among all the signal transmission wire & cable manufacturers in the world, we ranked fifth in terms of revenue for 2009 with a market share of 3.9% and third in terms of revenue for the first half of 2010 with a market share of 7.3%. We commenced the manufacturing of board-side connectors for sale to external customers only in 2007.

The following table sets forth the revenue breakdown information by product groups for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000) (Unaudited)	% of revenue (Unaudited)	Revenue (RMB'000)	% of revenue
External signal cable assembly	314,932	48.2	427,241	47.6	322,490	37.1	159,799	43.6	160,359	25.2
Internal signal cable assembly	72,281	11.1	83,941	9.3	126,630	14.5	42,735	11.7	137,354	21.6
Power cord assembly	59,726	9.2	115,284	12.8	170,156	19.5	69,819	19.0	112,810	17.8
Wire & cable	142,218	21.8	173,446	19.3	172,069	19.7	64,374	17.6	153,212	24.1
Connectors	1,441	0.2	23,086	2.6	36,145	4.1	16,752	4.6	20,376	3.2
Others	62,030	9.5	75,001	8.4	44,906	5.1	13,087	3.5	51,569	8.1
Total:	**652,628**	**100.0**	**897,999**	**100.0**	**872,396**	**100.0**	**366,566**	**100.0**	**635,680**	**100.0**

External Signal Cables Assembly

External signal cable assembly products are signal connecting cables mainly used externally in notebooks, computers, monitors, TVs, mobile handsets and digital cameras and can transmit digital, analog and audio-frequency signals with such functional advantages as high transmission rate and highly effective in anti-electromagnetic interference. Our external signal cable assembly products include five product types, namely, RGB assembly, DVI assembly, HDMI assembly, USB assembly and DC assembly. Typically, the performance of external signal cable assembly products is mainly measured by their data transmission speed and the bandwidth such products are capable of. The higher the data transmission speed or bandwidth is, the better performance the external signal cable assembly has whereas for products with standard data transmission speed and bandwidth such as USB assembly, the technical capabilities can be measured by the maximum length of the cables.

The following table sets forth a brief description of each type of our major external signal cable assembly products. As indicated in the note to the table below, some of the general applications described in the table currently are not our key markets.

Product Types	Product Descriptions	Key Attributes of Our Products	General Applications
RGB assembly	A RGB assembly product is assembled with D SUB connector and cable and is used in connecting the VGA interface equipment, which is a form of interface used in graphic cards to transmit analog signals.	We adopt the one piece shielding structure, being our patented product, in our RGB assembly which has improved the anti-electromagnetic interference performance.	TV and personal computer
DVI assembly	A DVI assembly product is assembled with DVI connector and cable. The DVI assembly product uses the international interface standard which is widely used in personal computer, DVD player, HDTV, HD projectors and such other equipment.	The transmission rate for single-link DVI interfaces may reach 4.9 Gbps. It may support resolution of 1920*1080 or 1600*1200 while the transmission rate for double-link DVI interfaces may reach 9.9 Gbps and may support resolution of 2560*1600.	TV and personal computer
HDMI assembly (HDMI 1.1 and HDMI 1.4)	A HDMI assembly product is assembled with HDMI connector and cable. HDMI assembly may provide data transmission bandwidth up to 5 Gbps and transmit audio signals and high resolution video signals without compression. At the same time, no digital/analog or analog/digital conversion is needed before the signal transmission, so that the best-quality transmission of audio and video signals can be achieved.	The longest transmission distance of our products is 15 meters which is sufficient for transmitting the 1080p video signal and 8-channel audio signal. We are able to produce HDMI 1.4 assembly with a transmission rate of 10.3 Gbps.	TV, personal computer†, digital camera, mobile† and DVD player

Product Types	Product Descriptions	Key Attributes of Our Products	General Applications
USB assembly (USB 1.0; USB 2.0; and USB 3.0)	A USB assembly product is assembled with USB connector and cable. USB assembly is used between a computer and add-on devices, such as audio players, joysticks, keyboards, telephones, scanners and printers.	USB 3.0 supports a data transmission speed of 4.8 Gbps which is ten times faster than that of USB 2.0. We are able to produce USB 3.0 assembly with a length of 5 meters in 30 AWG while other characteristics meet the requirements of the industry standard.	Digital camera, mobile and personal computer
DC assembly	A DC assembly product is assembled with DC cort set and cable and is used to supply direct current power.	The yaw rate for our DC assembly can reach 2,000 and the breakage rate at a yaw rate of 2,000 is less than 30%. We apply advanced core wire soldering technology to ensure that the soldered core wire for our DC assembly has a high level of firmness. For cables with a 90 degree angle, instead of cutting, we use twisting technique, which may prolong the product life by 30%.	Notebook, mobile† and TV†

Note:

† Such application(s) currently are not our key markets.

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 video and audio-frequency signals with such functional advantages as high transmission rate and good shielding effect. Our internal signal cable assembly products primarily include three types, namely, LVDS cable assembly for use in notebooks, harness for use in household electrical appliances and flexible flat cable (FFC) assembly for use in LCD and LED TV. We have focused on the production of LVDS cable assembly since 2008. In July 2009, we also commenced the production of FFC assembly. Typically, the technical capabilities of internal signal cable assembly products are mainly measured by the diameter of the wire & copper (generally the thinner the better), the pitch (referring to the distance from a point on the screw thread to a corresponding point on the next thread measured parallel to the axis of the thread) between the two wires (generally the smaller the better) and anti-swinging capability as measured by yaw rate.

The following table sets forth a brief description of each type of our major internal signal cable assembly products. As indicated in the note to the table below, some of the general applications described in the table currently are not our key markets.

Product Types	Product Descriptions	Key Attributed of Our Products	General Applications
LVDS (mini-coaxial cable assembly and slim-wire harness assembly)	LVDS assembly is a relatively new technology, using the low voltage differential signals and rapid transmission time, and can achieve the high speed of data transmission from 100 Mbps to 1 Gbps. Our mini-coaxial cable assembly and slim-wire harness assembly products have advantages such as high transmission rate, good impedance control and high yaw rate.	For the mini-coaxial cable assembly, we adopt the impulsive hot-bar soldering machines for processing of 42#(OD0.3mm) coaxial cables and the yaw rate is at least 25,000 times. As for slim-wire harness assembly, we adopt the fully automatic crimping machine for riveting 36# (OD0.32mm) teflon wire and the yaw rate is at least 25,000 times.	Notebook and digital products† such as mobile handsets and digital cameras
FFC assembly (LCD and LED TV FFC cable and LCD Monitor FFC cable)	An FFC assembly product is assembled with FFC connector and cable. FFC is small and of high density and has strong features to ensure stable quality with free-choice of lead quantity and space between each lead for easy joining, has low production cost and can improve production efficiency.	The space range of each lead of the FFC is from 0.3 mm to 2.54 mm. The impedance control of FFC can reach 100+/-5Ω and the dimensional tolerance is 0.01mm.	CD†, VCD† and DVD players†, LCD TV, LED TV, auto acoustics†, printing machine†, vidicon†, digital camera† and digital control fixture†

Notes

† Such application(s) currently are not our key markets.

Power Cord Assembly

A power cord assembly product is assembled with power supply connector and power cable and is used to supply electricity to consumer electronic equipment products. Our power cord assembly products are currently generally used for monitors display units, LCD TVs and notebooks and have received safety certifications from the relevant authorities in 29 countries and other jurisdictions, including, among others, CCC (China), CUL (US), BSI (UK), BSMI (Taiwan), KC (Korea), PSE (Japan), SAA (Australia), CE (Europe), GOST (Russia), IRAM (Argentina), SABS (South Africa), PSB (Singapore), SII (Israel), UC (Brazil), STQC (India), HK (Hong Kong), ISC (Cambodia) and TIS (Thailand). Our power cord assembly products are able to satisfy the requirements of customers from across all the major continents of the world.

Wire & Cable

Wire & cable is the medium for transmission of signals and electricity current, and wire & cable products are also the raw materials to be assembled with connectors for the production of the cable assembly products. Our wire & cable products primarily include four types, namely, communication cable, consumer electronic cable, automotive cable and power cable. Typically, the technical capabilities of wire & cable products are mainly measured by the high frequency, the diameter of the wire, the use of environmental friendly plastic materials and other special requirements, including the capability of cold resistance, heat resistance, high pressure resistance and corrosion resistance.

The following table sets forth a brief description of each type of our major wire & cable products:

Product Types	Product Descriptions	Key Attributed of Our Products	General Applications
Communication cable (coaxial cable; interconnect pair cable;) high speed cable (SFP+); and communication power cable)	Communication cables are a type of high frequency data cables. The SFP+ copper cable, being one kind of high speed cable, can meet and exceed 10 Gigabit Ethernet.	Our communication cables have a relatively high frequency for attenuation. We have patented solution for surge at a high frequency. Skew delay for our high speed communication cables is 5ps/M.	TV, server, communication and control system
Consumer electronic cable (RGB cable HDMI, SATA, DVI, E-SATA, 1394, Displayport; USB2.0 and USB3.0, mobile charger cable; and hook-up wire)	Consumer electronic cables are a type of high-definition data cables.		TV, monitor, personal computer, notebook and mobile handsets

Product Types	Product Descriptions	Key Attributed of Our Products	General Applications
		Our consumer electronic cables have a relatively high frequency for attenuation. Skew delay for our HDMI, SATA, DVI, E-SATA, 1934 Displayport, USB 2.0 and USB 3.0 communication cables is 20ps/M. We also use internally manufactured environmentally friendly low smoke halogen-free insulating materials for the production of our mobile handset charger cables and hook-up wires.	
Automotive cable	Automotive cables include various kinds of automotive cables each meeting different national standards.	Our automotive cables meet the national standards of Japan, Germany, the United States and China. We use internally manufactured plastic materials and environmentally friendly low smoke halogen-free insulating materials for the production of our automotive cables.	Automotive products
Power cable	Power cables are the connecting cables supplying electricity to consumer electronics and equipment and include various kinds of power cables each meeting different national standards, mainly including the Chinese, American, European and Japanese flexible power cables.	Our power cables meet the safety standards of many jurisdictions. We use internally manufactured plastic materials and halogen-free materials for the production of our power cables.	TV and other consumer electronics

Connectors

Connectors are adopted to connect two electronic ports to transmit power or signals, are used to maintain the non-occurrence of signal distortion and energy loss changes and are used in general consumer electronic, electrical engineering and communication products. Connectors can be divided into two types, which are board-side connectors and terminal connectors. Terminal connectors are used by being welded into cables while board-side connectors are used in electronic and electrical products by being welded into internal Printed Circuit Board (PCB). All of our connectors for external sale are board-side connectors while we use terminal connectors for internal assembly only. Typically, the technical capabilities of connectors products are mainly measured by the pitch (generally the smaller the better) and the impedance control capability.

The following table sets forth a brief description of each type of our major board-side connector products. As indicated in the note to the table below, some of the general applications described in the table currently are not our key markets.

Product Types	Descriptions	General Applications
D SUB connector	A D SUB connector is the interface for graphic cards' output of analog signals. The analog VGA interface is also used for connection between computers and external display equipment.	Monitor, TV, personal computer† and notebook
DVI connector	A DVI connector is the interface for video frequency output of display equipment with the functional advantage of better display quality than D SUB connector. DVI connectors can be further processed into the DVI assembly.	Monitor, personal computer and notebook
USB connector	A USB connector is a data transmission interface commonly used for data transmission in the consumer electronics industry. USB connectors can be further processed into the USB assembly.	Consumer electronics
HDMI connector	An HDMI connector is a high quality multi-media interface and is currently a widely used multi-media interface for applications in the consumer electronics industry HDMI connectors can be further processed into the HDMI assembly. The technical capabilities of the HDMI connector are mainly indicated by the features of coplanarity and the true position.	TV†, notebook and set-top box

Note:
† Such application(s) currently are not our key markets.

PRODUCTION

We generally design, develop, manufacture and assemble the products we sell. We also utilize contract manufacturers for certain production processes for a portion of our products, such as the stripping, soldering, assembly or molding of external signal cable assembly products and the assembly of internal signal cable assembly products. The production processes we outsource to contract manufacturers are generally labor intensive and relate to the technically simple processes in our production chain. We believe that utilization of contract manufactures allows us to hire fewer employees and reduce our overall costs. As of the Latest Practicable Date, we had 55 contract manufacturers. We do not rely on any of these contract manufacturers for production of our products as it is easy to find replacement in the market.

Production Planning and Process

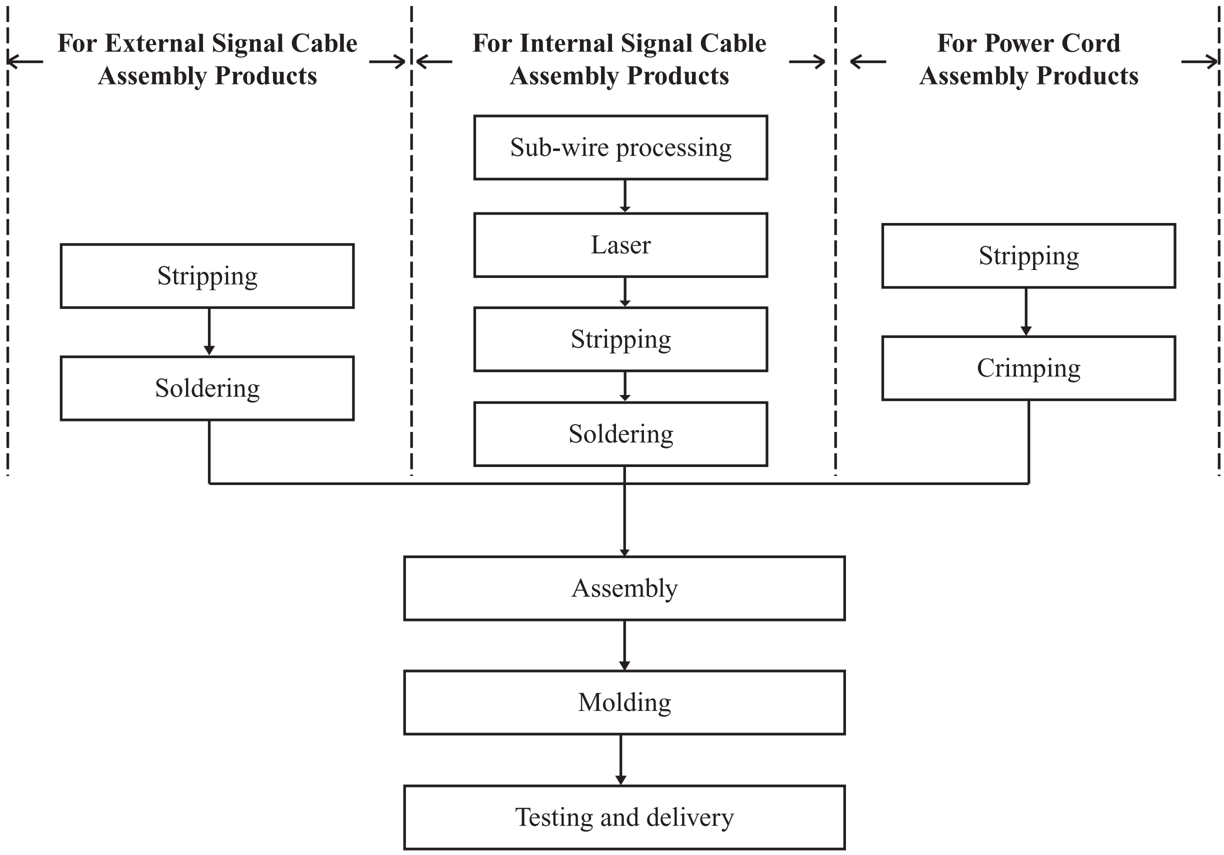
We formulate our annual production plan based on the annual production forecasts of our key customers. Pursuant to our production plan and the then inventory level, we procure raw materials. The actual monthly production schedule, including among other things, the quantity and specifications of the products, is generally confirmed based on the purchase orders from our customers.

When planning the monthly production schedule, we also assess and determine whether and to what extent that third-party contract manufacturing services would be required. We determine the quantity of the products and the production services to be outsourced from contract manufacturers based on our production plan. We typically provide production and testing equipment for use by our contact manufacturers and deploy our own quality control personnel at the contract manufacturers' production sites to ensure that their manufacturing services and products meet our standards. The production processes we outsourced to contract manufacturers are generally technically simple and serve ancillary production purposes, including stripping, preparation work for soldering (wire-twisting and tinning), and front-end processing for assembly (shield assembly), and for products so outsourced to contract manufacturers, we typically carry out further production processes in house, including soldering, assembly, molding, and testing and delivery. We conduct quality testing of such products to ensure that their quality meets the requirements and standards prescribed by our customers. The outsourcing of the production processes of our products to contract manufacturers is typically pre-approved by the relevant customers. We generally enter into long-term processing service contracts with our contract manufacturers, who typically charge us processing fees for their services. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we paid processing fees of approximately RMB8.3 million, RMB16.9 million, RMB33.2 million and RMB29.4 million to our contract manufacturers, respectively.

We generally operate a vertically integrated production process for all of our products, comprising the production of our own plastic materials, drawing of own copper, and processing of wire & cable products into finished signal cable assembly and power cord assembly products while for production of our connector products, we are able to conduct key processes such as product design and development, stamping and plastic mold design, metal stamping, plastic injection and final product assembly in house.

Assembly Products Production Process:

The following chart illustrates the general production processes of our external signal cable assembly, internal signal cable assembly and power cord assembly products.



External Signal Cable Assembly Production Process:

Stripping (去皮)

Stripping is a process by which the outer coat of the cables (insulating layer) is taken away by stripping machines in accordance with the product processing requirements. The conductors may be used for connecting other components upon stripping.

Soldering (焊接)

Soldering is a process to make the conductors and the electricity conducting components closely connected by using the soldering equipment and the lead-free solder wire in accordance with the product design requirements.

Internal Signal Cable Assembly Production Process:

Sub-wire processing (副線加工)

Sub-wire processing is the front-end processing of the product shape (including cutting contracts, product molding and certain other pre-processed steps).

Laser (鐳射)

Laser is a process to adopt CO2 laser know-how to peel off the component wires.

Stripping (去皮)

Stripping is a process by which the outer coat of the cables (insulating layer) is taken away by stripping machines in accordance with the product processing requirements. The conductors may be used for connecting other components upon stripping.

Soldering (焊接)

To effect the function of signal transmission, the tinned component wires and the connectors are welded by applying the impulsive hot-bar soldering technology.

Power Cord Assembly Production Process:

Stripping (去皮)

Stripping is a process by which the outer coat of the cables (insulating layer) is taken away by stripping machines in accordance with the product processing requirements. The conductors may be used for connecting other components upon stripping.

Crimping (壓接)

Crimping is a process by using the crimping equipment, dies and blades to closely connect the conductors with the electricity conducting components in accordance with the characteristics of products (including pull force and conditions).

Common Production Process:

Assembly (組裝)

Various parts and components are assembled together in accordance with the product design requirements.

Molding (成型)

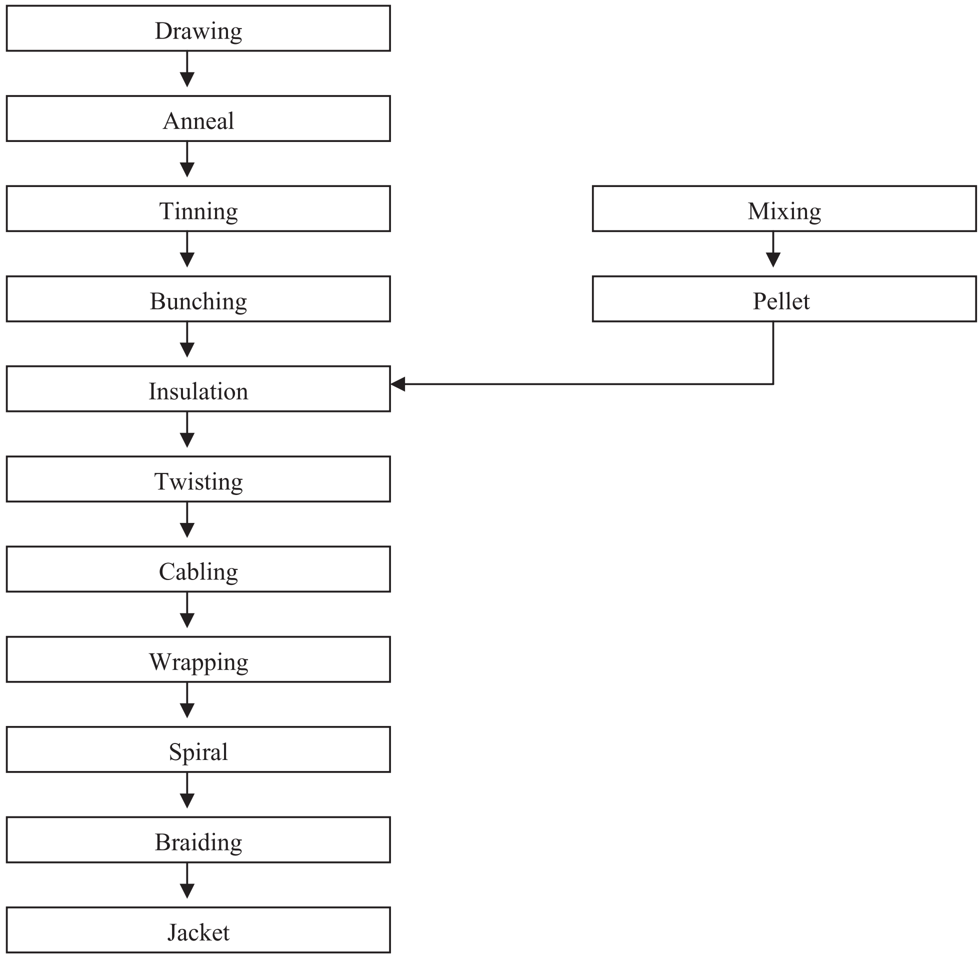
Molding is a process to inject the heat-shrinkable plastic into the injection molding machine for heating until the temperature falls below the melting point, and the plastic is then injected into the mould cavity upon which a certain pressure is applied, with the shaped product taken out from the mould upon cooling.

Testing and delivery (檢測和發運)

The socket is put into the testing instrument for testing the products with respect to breakdown voltage, voltage withstand, insulation and impedance in accordance with the safety standard testing parameters. Upon passing the test, the products are then delivered in compliance with packaging specifications as required by the customers.

Wire & Cable Production Process:

The following chart illustrates the general production processes of our wire & cable products.



Drawing (拉絲)

Drawing is a process by which the copper wires are pulled through one or more drawing machines and stretched into wires of smaller diameters. After drawing, the copper wires are hardened and brittle.

Anneal (退火)

To ensure optimum elongating properties, the drawn copper wires are heated to a certain temperature and are then crystallized by cool water so as to soften the wires and increase their flexibility to meet the required manufacturing standards.

Tinning (鍍錫)

Tinning is to coat a layer of tin on the surface of copper wires by putting copper wires into melted tin and dies in order to improve the soldering capacity of wires and cables.

Bunching (銅絞)

In order to improve the softness and flexibility of cables for easy installation, copper wires are twisted together for making the cables and wires.

Insulation (芯押)

Insulating materials such as plastic materials are fed into an extrusion machine, died and extruded evenly and tightly onto the single wire, stranded copper wires or other metal wires under the requisite temperature, pressure and speed.

Twisting (對絞)

Two core wires are twisted together in order to maintain the stability of signal pairs of pairing cables.

Cabling (集合)

The cabling process involves the joining of the component wires into a cabled assembly and these component wires are normally stranded into round shapes. The cabling process is similar to the conductor stranding process. As part of the cabling process, the cable is also filled with fillers to ensure it is smooth and round in shape, after which it is bound in a tight and compact manner.

Wrapping (包帶)

The cables are wrapped with a layer of, among others, aluminum composite tape or paper tape, polyester tape for shielding, insulating, moisture-proof and certain other functions.

Spiral (纏繞)

Spiral is a kind of shield by using copper wires or other metal wires to wind around the core wires or cables (upon stranding) in the same direction for shielding of electromagnetic fields.

Braiding (編織)

Braiding is a kind of shield by using copper wires or other metal wires to wind around the core wires or cables (upon stranding) in a crossover manner for shielding of electromagnetic fields.

Jacket (外被)

For protecting the cables from being damaged, an even layer of material is extruded from plastic materials and other materials by an extruder machine at a specific temperature, pressure and speed to cover the cables upon stranding or shielded cables.

Mixing (混合)

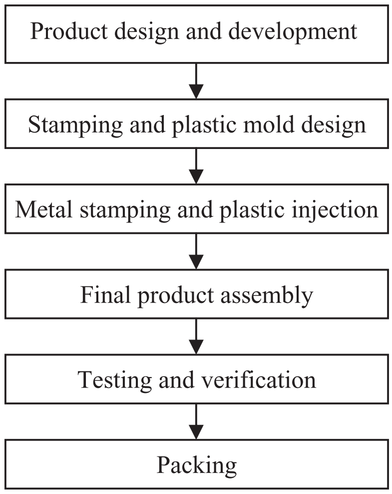
Mixing is the first step in production of plastic materials, that is, to mix all raw materials evenly, including powder, fire resistant agent, plasticizing agent, coloring powder and such other additives to ensure even and stable performance.

Pellet (造粒)

Pellet formation is to evenly compound the mixed raw materials under a certain temperature, pressure, speed and certain other conditions before extruding the mixture for cutting into pellets for packaging.

Connectors Production Process:

The following charts illustrate the general production processes of our connector products.



Product design and development (產品設計開發)

The major steps in product design and development include 2D and 3D designs and the analog analysis of the products designed in accordance with the customer's requirements and specifications.

Stamping and plastic model design (衝壓、塑膠模具設計)

When the product designed is completed, stamping and plastic model design will conduct the design of the dies for all components in accordance with the product design drawings.

Metal stamping and plastic injection (五金衝壓、塑膠成型)

Metal stamping: metal injection are set on the punch first and the metal materials (coiled materials) will be put into the dies before continuous punching, pressing and material feeding through the dies and the metal components (such as contracts, iron cases) can be produced.

Injection of plastic units: plastic dies are set in the injection molding machine first and the plastic raw materials (plastic pellets) will be injected into the plastic dies by the injection molding machine. Upon temperature increase and cooling in around or less than one minute, the dies will be opened by the injection and molding machine and the injection-shaped plastic unit can be taken out.

Final product assembly (成品組裝)

The general steps of the final products assembly include cutting each set of contracts or iron cases, pressing the contracts into the plastic by tools, folding/breaking the contracts, installation of iron cases, pressing-in of iron cases, checking the evenness and smoothness of welded ends of products and testing of electricity conduction.

Testing and verification (檢驗)

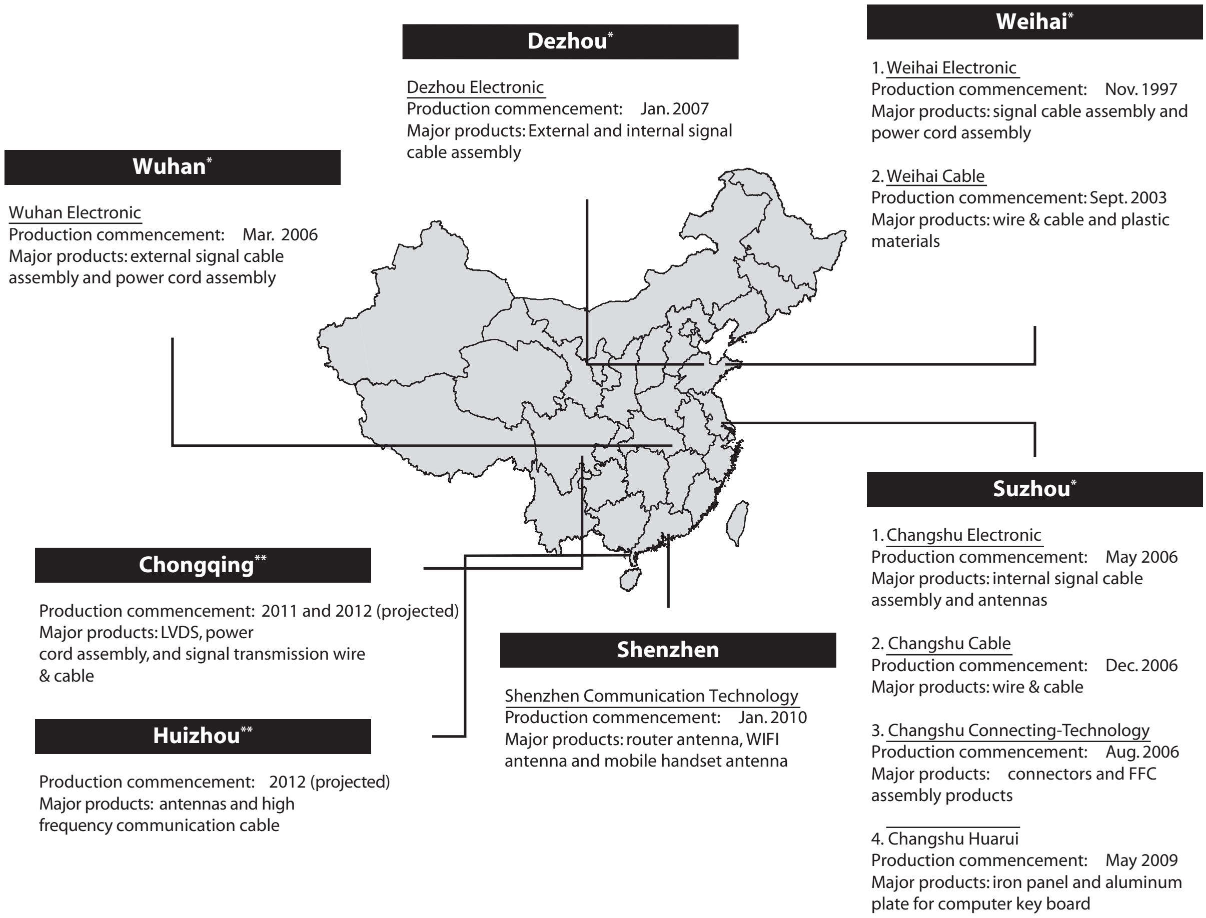
All the finished products are tested in respect of the dimensions and performance in the process of assembly.

Packing (包裝)

The conforming products upon assembly are packed and be ready for delivery.

Production Facilities and Equipment

We have production facilities in Weihai and Dezhou of Shandong Province, Suzhou of Jiangsu Province, Wuhan of Hubei Province and Shenzhen of Guangdong Province. We are also in the process of planning to build up our production facilities primarily for the manufacture of LVDS type of notebook internal signal cable assembly, power cord assembly and signal transmission wire & cable in Chongqing as well as our production facilities primarily for the manufacture of antennas and high frequency communication cable in Huizhou of Guangdong Province. We believe that our strategically located operations in China enable us to be near the production bases of our target customers in the Bohai Rim, the Yangtze Delta and Southern China so that we can better understand and address their rapidly changing needs and meet their product delivery requirements in a timely and efficient manner. The following map shows the locations of our production facilities throughout China.



Notes:

* We will be increasing production capacity at these production facilities. For details, please refer to "Business Strategies — Expanding our production capacity" under the "Business" section.

** To be newly established production facility.

The following table sets forth the standard and actual production capacity, and utilization rate information of our production facilities, by each product group, for the periods indicated.

	For the year ended 31 December									For the six months ended 30 June		
	2007			2008			2009			2010		
	Actual production	Standard production capacity(1)(2)	Utilization rate (%)(4)	Actual production	Standard production capacity(1)(2)	Utilization rate (%)(4)	Actual production	Standard production capacity(1)(2)	Utilization rate (%)	Actual production	Standard production capacity(1)(2)	Utilization rate (%)(4)
External signal cable assembly ('000 unit)	58,216	72,470	79.8	74,627	103,540	71.3	75,238	90,370(5)	78.0	41,519	49,350	84.0
Internal signal cable assembly ('000 unit)	22,719	26,210	86.7	8,554	11,230(6)	76.2	20,370	25,500	79.9	26,132	32,580	80.2
Power cord assembly ('000 unit)	12,234	22,370	54.7	24,235	36,140	67.1	47,841	63,960	74.8	27,232	39,650	68.7
Wire & cable (million meters)(3)	441	584	75.4	578	712	81.2	689	928	74.3	489	672	78.7
Connectors ('000 unit)	42,185	60,120	70.2	124,568	170,870	72.9	146,507	204,410	71.7	66,589	89,780	74.2

Notes:

(1) The standard annual production capacity is calculated as the sum of the production capacity for each of the key products in each of our product groups.

(2) The standard annual production capacity for signal cable assembly and power cord assembly is calculated based on the assumption that the machines are operated 10 hours per day and 25 days per month.

(3) The production of different types of wire & cable and connectors share the capacities of the same production lines, which are designed to allow for a degree of flexibility so that we are able to respond faster and more flexibly to the changing demands of our customers. The standard annual production capacities for wire & cable and connectors are based on our annual production plan with such allocation of capacities of the production lines to produce each type of the products, as we formulated after taking into consideration of the production forecasts and planned schedule of our key customers.

(4) The utilization rates of our production facilities fluctuated during the Track Record Period. The utilization rates for our external and internal signal cable assembly production facilities were lower in 2008 and 2009 as compared to 2007 and the first half of 2010 as the amounts of customer purchase orders were relatively lower for the second half of 2008 and the first half of 2009 due to the impact of the global financial crisis. As for our power cord assembly products, we expanded our production capacities in the relevant periods according to our production plans and this resulted in relatively lower utilization rates for the overall production of our power cord assembly products as new production facilities need lead-in time to ramp up to its designed capacity, and the utilization rates for our power cord assembly production facilities increased in 2008 and 2009 as compared to 2007 primarily because we expanded production as we obtained safety certifications for our power cord assembly products from an increasingly number of jurisdictions and therefore were able to increase production to meet increased customer demand. As for our wire & cable products, as the global economy started to recover in 2009, we purchased equipment and conducted facilities maintenance and upgrading for our wire & cable production lines in preparation for the planned increase in production of this product type and, as a result, the utilization rate of our wire & cable production facilities was lower in 2009 as compared to other relevant periods due to lead-in time required to ramp up to its designed capacity.

(5) The decrease in standard production capacity in 2009 for external signal cable assembly as compared to 2008 was because we started to use the production facilities of Changshu Electronic for the exclusive manufacturing of internal signal cable assembly in 2009 whereas prior to that, such production facility was used for manufacturing both external and internal signal cable assembly.

(6) The decrease in standard production in 2008 for internal signal cable assembly as compared to 2007 was because we made a strategic decision to focus on the production of LVDS assembly for notebook use due to its higher technical requirements and profit margins and reduced production of Harness product, which previously was our only type of internal signal cable assembly product. Due to higher technical requirements involved in the production of LVDS assembly, the number of units being produced decreased correspondingly.

In order to enhance our production capacity and efficiency, we are committed to investing in advanced production machineries and equipment, including procuring various machineries and equipment from overseas. Key machineries and equipment that we use in our production process include, among others, skin-foam-skin insulation line (皮泡皮串聯線), cut-ray machine (裁伐機), TPE pelleter (TPE造粒機組), ø15 Teflon extruder (ø15 Teflon押出機), ø65 type auto-extruding line (ø65自動押出生產線) and Jingli high speed punching machine (京利高速沖床).

Maintenance

We carry out regular inspection and maintenance on the production facilities throughout the year. We have internal procedures for conducting inspection and maintenance on our production facilities on a daily, weekly, monthly, quarterly and/or annual basis according to the characteristics and requirements of particular equipment and machineries so as to ensure their proper functioning. Our daily, weekly and monthly inspection and maintenance are generally conducted for a particular set of equipment or production line while our quarterly and annul maintenance overhauls are carried out for the whole production facility at a particular location. During the Track Record Period and up to the Latest Practical Date, we did not experience any material or prolonged suspension of operation due to machinery, equipment or other facility failures.

Quality Control

We need to maintain high quality standard for our products and minimize defects and returns of defective products in order to maintain our status as a core supplier for many of our major customers and obtain their orders for our products on a continuous basis. To this end, we have implemented a set of stringent production and quality testing and checking procedures designed to ensure that our products meet or often exceed the relevant industry standards and/or customer quality requirements. Furthermore, we have made significant investments in procuring high precision testing equipment, such as network analyzer, ICP and GS-MS, for the purposes to ensure that the testing and checking of our product quality is conducted according to the rigorous technical criteria.

We rely on in-house production and strict control of our production process to ensure the quality of our products. We have strengthened our quality control capacity by recruiting more quality assurance personnel. As of 30 June 2010, we have a total of 155 quality assurance personnel located in our facilities. From sourcing of raw materials, production and packaging of our finished product prior to delivery, we strictly monitor and control the quality of our operations. Our quality assurance team also actively engages in product design, ensuring production considerations are addressed at an early stage of the design process and minimizing the number of products that fail our quality control tests. In order to monitor our production quality and ensure that our products meet all our internal benchmarks and customers' specifications, our quality control staff carry out quality control inspection throughout the production process, including:

- ***Quality control for raw materials and components.*** We only purchase raw materials and components from suppliers who have passed our quality and reliability assessments and have been admitted to our list of qualified vendors. We carry out laboratory analysis and tests of the properties and chemical composition of the raw materials (including copper materials, plastic materials, iron materials and other materials) on a sampling basis. Before the raw materials are applied in the production process, a sample of each type of raw materials will be examined physically and chemically to ensure that their quality meets the specifications and standards of our products. We return to suppliers any raw materials that do not pass our inspection. We also periodically assess our suppliers, and those who fail our evaluation are removed from our qualified vendor list.
- ***Quality control during production.*** We test our semi-finished products at various stages of the production process to ensure their quality and compliance with all internal benchmarks before continuing on to the next stage of the production process.
- ***Final testing before delivery.*** After the production process is finished, we perform thorough inspections to ensure that customers' specifications are met prior to delivery of our products.

Our products and production facilities have received the following certifications:

- ***Safety certifications***: Our power cord assembly products have received safety certifications from the relevant authorities in 29 countries and districts, including but not limited to CCC (China), UL/CSA (US), BSI (UK), BSMI (Taiwan), KC (Korea), PSE (Japan), SAA (Australia), CE (Europe), GOST (Russia), IRAM (Argentina), SABS (South Africa), PSB (Singapore), SII (Israel), UC (Brazil), STQC (India), HK (Hong Kong), SIRIM (Malaysia), ISC (Cambodia) and TIS (Thailand).

- ***Industrial association certifications***: Our HDMI assembly, USB assembly and DVI products have received the certifications from relevant industrial associations, namely HDMI Licensing, LLC, USB Implementer Forum, Inc., Digital Display Working Group and Serial ATA International Organization, as our such products have met the specifications and standards prescribed by these industrial associations.

- ***Quality and environmental management certifications***: Our products and production facilities have received 4 types of quality and environmental management certifications, including the ISO9001:2008 certification, ISO14001:2004 certification, QC080000 certification and ISO/TS 16949:2009 certification.

Due to our strong emphasis on product quality and our stringent product quality controls, we have been able to meet or even exceed the product specifications and quality standards required by our customers on a continuous basis. During the Track Record Period and up to the Latest Practical Date, we did not have any product recall or third party claim for any damage or loss sustained arising from defective products and sales return due to products defects or other quality problems were insignificant. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, total sales return amount was approximately RMB573,000, RMB901,000, RMB886,000 and RMB549,000, respectively.

RESEARCH AND DEVELOPMENT

Product life cycles are generally short in the consumer electronics product industry that we serve and our customers have increasingly focused on improving the speed in ramping up the production of new products and bringing such products to market. Accordingly, one major focus of our research and development efforts is to continuously enhance our design, processing and other technical abilities to enable us to work closely with our customers in the initial design of the cable assembly and connector related products they require for use in their new products and meet their quality and delivery requirements. We also focus our research and development efforts on ways to reduce the cost and increase the manufacturing efficiency of our existing products while investing significant resources in developing new products.

In addition, we have focused, and will continue to focus, on designing, developing and customizing advanced equipment and high-precision testing apparatuses as well as making significant improvements on our molding tools and processing technologies to enable us to manufacture products that meet the technical standards prescribed by our customers.

Major research and development projects that we undertook during the Track Record Period include, among others, those related to high speed parallel data cable, data transmission line, signal coaxial cable, high-frequency signal transmission wire and preparation method, and power supply signal cable. Our current research and development projects relate to such products or materials as high speed cable, environmentally friendly low smoke halogen-free insulating materials, solar connectors, antennas, and automotive wiring harness products.

We have research and development teams in our engineering departments based in our manufacturing facilities in Weihai and Suzhou, which focus on upgrading existing technology and processing techniques, improving production efficiency and developing new products. In addition, we are in the process of further developing our research and development infrastructure by building research and development centers dedicated to the development of new products. We have recently established a research and development center in Taipei and are in the process of setting up our research and development centers in Weihai and Suzhou. We expect our research and development center in Weihai and Suzhou to be ready for operation in December 2010, respectively, while our research and development center located in the Neihu Technology Park in Taipei started to be operational in September 2010. Due to the highly developed computer and other electronics industries in Taiwan, we expect to gain access to the internationally leading technologies for connectors and antennas through our research and development base in Taipei. Going forward, our research and development teams based in our manufacturing facilities will focus on upgrading existing technology and processing techniques and improving production efficiency. The focuses of each of our research and development centers include:

- Weihai: design, engineering and manufacturing technologies related to automotive wiring harness products and specialty power cables.
- Suzhou: design, engineering and manufacturing technologies related to high frequency communication cables, antennas, solar connectors and environmentally friendly low smoke halogen-free insulating materials.
- Taipei: design, engineering and manufacturing technologies related to antennas and connectors used in mobile handsets, notebooks, GPRS systems and network communications (including routers and network cards).

We are one of the first Chinese manufacturers to develop and produce one-piece shield plug (一體式屏蔽插頭) and high-speed parallel paired data cable (高速平衡對稱數據線纜) and, according to Frost & Sullivan, we are one of the few Chinese manufacturers who has successfully developed LVDS assembly and high frequency data cable which exceeds 20 Gigabit Ethernet.

As of the Latest Practicable Date, we had a total of 143 personnel specialized in research and development with an average experience of over 5 years in the industry. Among all of our research and development personnel as of the Latest Practicable Date, 67 personnel have obtained an undergraduate degree or have higher educational qualifications with the rest all having obtained other post-secondary diplomas or qualifications. We have established different research and development teams to meet our different product groups. For example, as of the Latest Practicable Date, we have 46 personnel in our external signal cable assembly product and power cord assembly product team, 27 personnel in our internal signal cable assembly product team, 43 personnel in our wire & cable product team, 22 personnel in our connector product team and 5 personnel in our antenna product team. The technological expertise and innovative ideas of our research and development personnel have enabled us to obtain 45 registered patents and file 44 pending patent applications in China and we held 3 registered patents and had 1 patent application pending for registration in Taiwan as of the Latest Practicable Date. In addition to one-piece shield plug and high speed cable mentioned above, our other key patents and patent applications include, among others, the computer combination hub with power switch (帶電源開關的計算機組合接插頭), bolt for computer data line (電腦數據線連接螺栓), signal coaxial cable (信號同軸電纜), data connecting line (數據連接線), high-frequency signal transmission wire and preparation method (高頻信號傳輸線及其製備方法) and power supply signal wire (可提供電源的信號線). For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our research and development expenditures were approximately RMB23.2 million, RMB26.3 million, RMB27.3 million and RMB12.7 million, respectively.

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs	8,344	11,114	6,422	4,320	4,517
Depreciation	2,657	3,116	2,855	1,405	1,153
Material costs	8,613	8,299	14,134	3,259	4,409
Others(1)	3,538	3,751	3,867	3,228	2,656
Total:	**23,152**	**26,280**	**27,278**	**12,212**	**12,735**

Note:
(1) Others primarily relate to testing expenses, certification fees and other miscellaneous expenses.

CUSTOMERS

We sell substantially all of our external signal cable assembly, internal signal cable assembly, power cord assembly, wire & cable, and connector products to equipment manufacturers or manufacturing services providers primarily in the consumer electronics industry, who typically incorporate our products into their products or systems. Our major customers include leading global brand name and non-brand name equipment manufacturers in the worldwide consumer electronics markets such as Samsung, LG, Eastman Kodak, Amphenol, Haier, Hisense, Quanta, Compal, Qisda, TPV Technology, Wistron, Innolux, ZTE and Inventec.

We have been selected as a core supplier for a number of our products to Samsung, LG, Eastman Kodak, Amphenol, Haier, Hisense, Quanta, Compal, Qisda, TPV Technology, Wistron, Innolux, ZTE and Inventec. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, total sales to these customers (determined on the basis that sales to all the member companies of a group company are combined as sales to one customer) amounted to approximately RMB284.5 million, RMB407.1 million, RMB449.5 million and RMB321.5 million, accounting for 43.6%, 45.3%, 51.5% and 50.6% of total revenue, respectively. Of such customers, LG, TPV Technology, Samsung, Compal, Guanta and Haier were among our ten largest customers during the Track Record Period. We believe that dedication to product diversification, tailor-made product configuration, strong research and development capabilities, and high quality of standard placed on our products have enabled us to provide "one-stop" total solutions to our customers, strengthen the relationship with our existing customers and further expand our customer base. In terms of total number of customers, our customers increased from 68 as at the end of 2007 to 97 as at the end of 2008, 124 as at the end of 2009, and 147 as at the end of June 2010.

We have established strategic collaborative relationships with many of our key customers, which are primarily large brand name or non-brand name equipment manufacturers in the consumer electronics industry. For each of our key customers, we also typically supply a wide range of products.

Our strategic collaborative relationships with these key customers provide us with a number of significant advantages, including:

- we may be frequently selected by these customers to be involved in the initial design of the cable assembly and connector related products they require for their new products, thus gaining the opportunities to become a core supplier for these customers;
- we have the opportunities to understand the product design and technical needs of our customers and identify the general trends of our customers' industries; and
- we are well-positioned to increase the number of different products that we supply to them.

In addition, strategic collaboration with our key customers enhances our ability to maintain high quality, design and other technological standards and improves our industry standing and reputation, which we believe should be helpful to our efforts in expanding our customer base.

The following table sets forth major customers for each of our product groups primarily based on their total purchases from us during the Track Record Period.

Product Type	Major Customers
● External signal cable assembly	Samsung, LG, Eastman Kodak, Qisda, Compal, Innolux and TPV Technology
● Internal signal cable assembly	Samsung, Quanta, Compal and Inventec
● Power cord assembly	Samsung, LG, Compal, Quanta, Innolux, Haier, Hisense and TPV Technology
● Wire & cable	Samsung, LG, Amphenol, ZTE, Tianjin Yamato Denki Electric Industry Co., Ltd, Phoenix Contact GmbH & Co. KG, Guangdong Galanz Group Co., Ltd. and Volex Intc. Suzhou Co., Ltd.
● Connectors	LG, TPV Technology and Compal

Most of our international customers have their procurement units and/or manufacturing facilities based in China and depending on our customers' preferences and requirements, we would enter into sales contract with their Chinese subsidiaries and deliver our products to their manufacturing facilities based in China. The following table sets forth, for the periods indicated, an analysis of our revenue by geographical location of the entities to which we issued invoices, irrespective of the headquarter of our end customers or the final destination of the goods:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000) (Unaudited)	% of revenue (Unaudited)	Revenue (RMB'000)	% of revenue
China, not including Hong Kong	474,877	72.8	636,776	70.9	643,096	73.7	257,430	70.2	508,117	79.9
Korea	138,168	21.2	136,849	15.2	115,827	13.3	72,472	19.8	105,238	16.6
Hong Kong	—	—	70,076	7.8	53,924	6.2	12,374	3.4	4,442	0.7
Other countries and areas	39,583	6.0	54,298	6.1	59,549	6.8	24,290	6.6	17,883	2.8
Total:	**652,628**	**100.0**	**897,999**	**100.0**	**872,396**	**100.0**	**366,566**	**100.0**	**635,680**	**100.0**

We generally enter into framework sales agreements with our customers, which generally have an initial term of not exceeding 3 years, to establish a supplier-customer relationship while all sales are conducted through purchase orders which set out the specific terms for a particular sale. The key terms of such framework sales agreements include (i) the procedures for purchase orders by customers, (ii) the pricing clause which requires the fixing of the unit price prior to the production of our Company and provides that the parties may renegotiate reasonable adjustments to the pricing in the event of changes in raw material (copper) prices, exchange rates and production efficiency, (iii) the product quality clause which requires that our Company shall establish the internal quality system to ensure product quality, (iv) the method for payment, (v) the parties' confidentiality obligations regarding the product design and technologies involved, and (vi) the procedures and schedules for product delivery, examination and acceptance, return and disposal of defective products. The framework sales agreements do not include guaranteed purchase volume and purchase price provisions. The Directors confirm that we entered into framework sales agreements with all our customers (including our five largest customers) during the Track Record Period. Our key customers also typically provide us with monthly non-binding forecasts on a regular basis of the quantities of the products that they expect to procure from us. Our pricing policy takes account of a number of factors, including cost of raw materials and production, cost of transportation, product specification, size of order, customer relations and relevant market conditions. We typically arrange to deliver our products to the locations designated by our customers and the transportation cost is part of the price for any purchase order from our customers. For any deliveries to a destination that is near our production facility, we normally use our own trucks to make the deliveries. For other deliveries, we generally utilize third party logistics and transportation companies for transporting the products to the destinations designated by our customers. Our customers generally pay the purchase prices for our products in RMB or US dollars with bank acceptance notes, letters of credit or accounts transfer. We generally give our customers 60 to 180 days' credit upon issuance of invoice, although credit terms may vary based on our historical relationships with, and assessment of the creditworthiness of, each customer. We continuously monitor the status of the outstanding accounts receivable due to us from each customer.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our five largest customers accounted for 56.2%, 44.9%, 41.5% and 39.4% of our revenue, respectively, while the largest customer accounted for 25.3%, 19.6%, 16.6% and 13.0% of our revenue, respectively, for the same periods. None of the Directors, their respective associates or shareholders who hold more than 5% of our issued share capital prior to the completion of [●] has any interest in any of our five largest customers.

SALES AND MARKETING

We manage our business relationships with customers through our sales and marketing activities. We plan and organize our marketing activities primarily based on our business areas and major product lines. Each of our business departments sets overall marketing strategies related to its business areas and product types and analyzes the general market dynamics and other conditions while our subsidiaries implement the relevant marketing strategies within their respective regions and focus on carrying out marketing activities for the products they manufacture and sell. As part of our marketing activities, we selectively participate in industry exhibitions related to our target markets, including, for example, Shenzhen Electronics Fair, Global Tronics, Taipei International Electronics Show and Electronica.

We market and sell our products directly to large brand name and non-brand name equipment manufacturers and other companies mainly in the consumer electronics industry. As of 30 June 2010, we had a sales and marketing force of more than 89 personnel focusing on sales and customer coverage and services. Our sales and marketing personnel regularly contact our existing and potential customers about our current product lines and product development plans. Our sales and marketing personnel generally visit our existing customers once every one or two weeks while also frequently contacting them via emails, phone calls or other meetings. With respect to target potential customers, our designated sales and marketing personnel generally visit them on a monthly basis while also maintaining contact with them via emails and phone calls. In addition, our sales and marketing personnel also assist many of our key customers to complete in-depth evaluations on us and our products before such customers approve us their supplier for any particular products according to their internal procedures.

As an important part of our sales and marketing activities, we endeavor to deliver superior services for our customers. We deploy sales and customer service personnel onsite at the production facilities of our key customers to provide dedicated customer coverage and services for such customers on a real-time basis. These dedicated sales and customer service personnel gather feedback on the products we supplied to the relevant customer and assist us to understand and respond to its product design and other demands. In addition, through our own sales personnel or third party sales agents, we maintain and develop relationships with and deliver services to our customers in selected cities in China and various other countries and jurisdictions, including primarily Korea, Japan and Taiwan.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the expenses we incurred for sales and marketing amounted to approximately RMB14.8 million, RMB18.9 million, RMB20.5 million and RMB12.9 million, accounting for 2.3%, 2.1%, 2.3% and 2.0% of total revenue, respectively.

SUPPLIERS

We purchase from third parties raw materials and components necessary to produce our products. These include primarily copper materials, plastic materials, iron materials and other materials. Our suppliers of raw materials must undergo our internal evaluation process based on a variety of quality and other standards. In addition, a number of advanced machineries and equipment, including, for example, network analyzer and time domain reflectometer, were imported directly from overseas or processed and assembled by suppliers in China with parts and components made overseas. See "— Production — Production Facilities and Equipment". In addition, a significant portion of wire & cable products required for the production of our cable products were manufactured internally during the Track Record Period.

We have established long-term business relationships with our key suppliers for stable supply and timely delivery of high quality raw materials and components. During the Track Record Period, we did not experience any major difficulties in procuring raw materials necessary for the manufacture of our products. In addition, we endeavor to source each type of our raw materials from at least a few different suppliers and refrain from relying on a single supplier or group of suppliers for any type of our key raw materials. Our suppliers typically offer us credit terms of up to 90 days from the time when the supplies are received by us. The payment terms with our suppliers vary and payment are mainly made through bank transfer or issuing bank bills in RMB or US dollars.

Copper materials account for a large portion of our raw material costs. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, copper materials accounted for approximately 63.9%, 59.7%, 57.8% and 57.9%, respectively, of our raw material costs. In line with market practice, the prices for the copper we source from our suppliers are typically linked to the prices quoted by the LME (for overseas sourcing) or the SHFE (for domestic sourcing). As a result, our raw material costs are subject to the fluctuations of copper prices in the relevant copper futures markets. We have managed such price risks primarily though matching the purchase prices for our copper materials with the price terms of our customers' purchase orders. Such adjustment to selling price linked to the prices of copper is normal market practice in our industry and its terms are stated explicitly in sale contracts we enter into with our customers. In the event that any of our customers requires a fixed cost for copper materials in their purchase orders, we have tried to hedge against the related copper price risk exposure through entering into derivative transactions, principally copper futures contracts. See "— Management of Copper Hedging Transactions".

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, purchases from our top five suppliers together accounted for approximately 42.1%, 36.0%, 32.4% and 39.4%, respectively, of our total purchases of raw materials and components, while the largest supplier accounted for approximately 12.6%, 9.6%, 14.9% and 18.4%, respectively.

None of our Directors or their respective associates or shareholders who own more than 5% of our issued share capital immediately prior to the completion of [●] has any interest in any of our five largest suppliers.

MANAGEMENT OF COPPER HEDGING TRANSACTIONS

For the purposes of controlling and managing the impact of the fluctuations of copper price on our raw material costs, profits and business operations, we have engaged and will continue to engage primarily in copper futures transactions to hedge against our copper price risk exposures mainly associated with the customers' purchase orders that require a fixed costs of copper materials, which may not be effectively covered by our matching the purchase prices of our copper materials with the pricing of our products. See "— Suppliers". As a matter of policy, we do not engage in copper hedging transactions for speculative purposes. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, investment loss or gain in respect of such derivative instrument was nil, approximately RMB4.6 million loss, RMB3.0 million gain and RMB1.8 million loss, respectively.

We have established the Futures Transaction Working Group, which, pursuant to the authority delegated by our Board of Directors, is responsible for formulating business strategies and policies for our copper futures transactions both annually and on an ad hoc basis, in particular, during the period when copper prices undergo significant fluctuations. The Futures Transaction Working Group is primarily consisted of our senior management members and other managerial personnel with significant experience on copper procurement and futures transactions, including Mr. Chi Shaolin, our Chief Executive Officer (acting as the Chairman of the Futures Transaction Working Group), Mr. Jiang Taike, our Vice Chief Executive Officer and the general manager of our wire & cable department, Mr. Mao Wanjun, the vice general manager of Weihai Cable and our respective heads of the procurement department of Weihai Electronic and Weihai Cable. Under the supervision of the Futures Transaction Working Group, the Department of Procurement of our Company is responsible for the routine management and execution of our copper futures transactions. Our futures transaction personnel are required to have relevant experience. The Department of Procurement is composed of our procurement manager, procurement officers and futures business officers with significant operational experience on copper procurement and futures transactions. Our procurement manager has more than ten years of industry experience and our futures business officers have more than 3 years of industry experience. All business proposals formulated by the Department of Procurement as endorsed by the Futures Transaction Working Group are submitted to the Board for consideration and approval. Based on the experience of the personnel in the Department of Procurement and the approval mechanism of their plans, our Directors consider that the Department of Procurement is capable of formulating the operational plans for copper futures hedging transactions and selecting the futures brokerage companies.

We have established extensive internal control and risk management procedures for our copper futures transactions. Key procedures include, among others:

(1) The Department of Procurement formulates the operational plans for our copper futures transactions and such plans shall be approved by the Futures Transaction Working Group;

(2) The Department of Procurement selects the futures brokerage companies with good business reputation and solid business capabilities and financial condition for approval by the Futures Transactions Working Group as approved brokerage companies for our copper futures transaction. The Department of Procurement monitors any developments and changes related to the financial conditions and creditworthiness of such approved brokerage companies;

(3) Within the specified limits imposed by our Board, the Futures Transaction Working Group sets the monthly amount of the total copper futures contracts based on our production plans;

(4) The copper futures transactions may only be executed based on the authorizations approved by the chairperson of the Futures Transaction Working Group. Such authorization sets forth the authorized transactional personnel and the types and maximum amount of the transactions that such personnel may engage in;

(5) Our execution personnel of copper futures transactions prepares the report of daily transaction and settlement details and submit such report to the members of the Futures Transaction Working Group, the designated risk management personnel and the accounting personnel on a daily basis. The designated risk management personnel is responsible for independently reviewing the report to ensure that the transactions have been conducted in compliance with our internal control and risk management procedures. Any non-compliance is required to be reported to our Chief Executive Officer;

(6) We have also established procedures for reporting internally any significant or unusual copper price fluctuations, non-compliance by our personnel of any operating and other procedures for our copper futures transactions, failure of our futures brokerage companies to meet our standards, large position of our outstanding copper futures contract that may present significant risks to us, and potential legal risks.

INVENTORY MANAGEMENT

We monitor and control our inventory level so as to facilitate smooth production, avoid stock-out and reduce the risk of over-stocking and accumulating obsolete stock. We utilize our enterprise resource planning, or ERP, systems to keep and produce inventory data. We generally determine our inventory of raw materials and components and finished products based on the amount of the purchase orders that our customers plan to place with us and our procurement cycle for raw materials and components.

We periodically give each supplier a rolling raw materials and components demand forecast so that these suppliers may plan and prepare inventory according to such forecasts. We place purchase orders for raw materials and components as close as possible to the required time of delivery, depending on our production requirements and the type of raw materials or components.

Finished products are warehoused after undergoing our quality inspection and testing procedures and meeting our quality requirements. The finished product packages will be checked and numbered by personnel in charge of product delivery according to customer delivery notice and packing note. When the finished product packages are packed according to customer's requirements or otherwise, the finished products will then be delivered to the locations designed by customers.

We have a stock-take policy to manage the stock-taking process and discrepancy reporting. Our routine stock-taking is conducted on a monthly basis. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the provision we made for inventory impairment amounted to approximately nil, RMB4.5 million, RMB1.3 million and nil, respectively. We assess periodically if the inventories have been suffered from any impairment and made provision for inventories during 2008 and 2009 as the actual realizable values of the inventories are lower than their net realizable values at that moment. During the year ended 31 December 2008, due to the significant decrease in copper price starting in the third quarter of 2008 as a result of the impact of the global economic downturn, the anticipated realizable selling prices of our products (which is linked to prevailing copper prices) that were produced with copper materials we purchased in prior periods at relatively high prices were estimated to be lower than their costs and accordingly, we made inventories provision of RMB4.5 million in 2008. During the year ended 31 December 2009, we produced certain products in anticipation of the requirements of a customer to achieve better utilization of our extra production capacity; however, due to the product upgrading of that customer, the anticipated purchase order for these products was not fulfilled by the customer and our estimation of the selling price of these products was revised downwards and thus, we made inventories provision of RMB1.3 million in 2009 with reference to the carrying value of such specific inventories.

COMPETITION

Even though we sell most of our products in China, our major competitors in the signal cable assembly and power cord assembly product markets are mainly Taiwanese enterprises. In the signal transmission wire & cable market, our main competitors in addition to Taiwanese enterprises also include Japanese and Hong Kong enterprises whereas for connector products, our main competitors include American, Japanese and Taiwanese enterprises. Taiwanese companies that we compete principally with include Foxconn Technology Co., Ltd., Hotron Precision Electronic Industrial Co., Ltd., Glory Mark Hi-Tech (Holdings) Limited, Advanced Connectek Inc., Wanshin Electronic Co., Ltd., I-Sheng Electric Wire & Cable Co., Ltd., Longwell Company, Taiwan Line Tek Electronic Co., Ltd., Well Shin Technology Co., Ltd., COPARTNER Technology Corporation and Space Shuttle Hi-Tech Co., Ltd. Almost all of our main competitors have production facilities based in China. According to Frost & Sullivan, an independent market research and consulting company, in our target global high-end consumer electronics market, which amounted to about US$560.5 billion or represented about 82.3% of the global consumer electronics market in 2009 (total size in terms of revenue amounting to about US$681.0 billion in 2009), (i) we are the second largest manufacturer of external signal cable assembly products in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 20.8% and 21.8%, respectively; (ii) among all the notebook internal signal cable assembly manufactures in the world, we ranked fifth in terms of revenue for 2009 with a market share of 10.7% and third in terms of revenue for the first half of 2010 with a market share of 19.0%; (iii) we ranked fifth among all the power cord assembly manufacturers in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 4.1% and 5.6%, respectively; and (iv) among all the signal transmission wire & cable manufacturers in the world, we ranked fifth in terms of revenue for 2009 with a market share of 3.9% and third in terms of revenue for the first half of 2010 with a market share of 7.3%. According to Frost & Sullivan, the global external signal cable assembly and power cord assembly markets catering to the consumer electronics industry and the global notebook internal signal cable assembly market are dominated by a few players with the top five players capturing about 85.3%, 90.3% and 90.6% of market share respectively in 2009 and 86.2%, 94.2% and 94.1% of market share respectively in the first half of 2010 whereas the global signal transmission wire & cable market is fairly concentrated, with the top five players capturing about 54.0% and 71.0% of market share respectively in 2009 and the first half of 2010.

Our Directors believe that competition in cable assembly and connector related products for the global consumer electronic product markets is primarily based on technology, pricing, quality of products, research and development and production capability to meet customers' requirements and after-sales services. Our Directors believe that we can compete with international competitors because of our competitive pricing ability, high quality and comprehensive range of products, our research and development and production ability to continually meet customers' requirements, and extensive knowledge of local laws and regulations. Our Directors believe that we have distinct advantages over local domestic competitors particularly as a result of our more superior research and development capability, our ability to provide "one-stop" solutions to meet our customers' needs and our production scale.

MAJOR AWARDS, CERTIFICATIONS AND MEMBERSHIPS

As of the Latest Practicable Date, we had been granted the following major awards, certifications and memberships:

Award/ Certifications/ Membership	Awarding/ Issuing Organization	Date of Issue	Term of Validation
Advanced Enterprise with Enthusiasm in Public Welfare, Charity Donation and Supporting New Rural Construction in 2009 (2009年度熱心公益慈善捐助及支持新農村建設先進企業)	Working Committee of Weihai City's Chinese Communist Party Commission, for the Economic and Technical Development Zone (中共威海市委經技區工委) Administrative Committee of Weihai Economic and Technical Development Zone (威海經濟技術開發區管委)(1)	January 2010	N/A
Advanced Technology Enterprise for Weihai Electronic (高新技術企業-威海市泓淋電子有限公司)	The Science and Technology Bureau of Shandong Province (山東省科學技術廳)(2) The Finance Bureau of Shandong Province (山東省財政廳)(2) The State Tax Bureau of Shandong Province (山東省國家稅務局)(2) The Local Tax Bureau of Shandong Province (山東省地方稅務局)(2)	December 2008	December 2008 to December 2011
Technology Research Center for High-frequency Signal Transmission Project of Shandong Province (山東省高頻信號傳輸工程技術研究中心)	The Science and Technology Bureau of Shandong Province (山東省科學技術廳)(2)	February 2008	N/A

Notes:

(1) It is one of the departments of the Government of Weihai Economic and Technical Development Zone.

(2) It is one of the departments of the Government of Shandong Province.

REAL PROPERTY

As of 31 August 2010, our factories, dormitories and offices have a total gross floor area of approximately 172,255.8 sq.m. For details of our properties, please refer to the Property Valuation Report set out in Appendix IV to this document.

Our Owned Properties

As of 31 August 2010, we held seven properties in Weihai, Dezhou and Suzhou, which consist of: (i) the eight parcels of land with a total site area of approximately 299,807.1 sq.m.; (ii) the buildings with a total gross floor area of approximately 160,578.8 sq.m.; and (iii) the buildings under construction with a total expected gross floor area of approximately 81,742.7 sq.m. upon completion. We have obtained all the relevant long term land use right certificates and building ownership certificates for our owned properties.

Our Leased Properties

As of 31 August 2010, we leased a total of four properties with a total gross floor area of 11,677 sq.m. in Weihai, Wuhan and Shenzhen from Independent Third Parties. Among them, 2,000 sq.m. in Weihai are used as plants, 7,027 sq.m. in Wuhan are used as plants and dormitories, and 2,650 sq.m. in Shenzhen are used as plants and dormitories.

As of the Latest Practicable Date, we are not provided with building ownership certificates of the abovementioned four leased properties by relevant landlords as required under relevant PRC laws and regulations, with which we can prove the landlords' legal title and ownership to these properties. Our PRC legal advisor, Deheng Law Firm, is of the opinion that, in the event that any third party raises a claim adverse to our interests in the leased properties, the properties leasing agreements might be determined as invalid by PRC courts in the future. As a result, we may be required to cease our occupation and usage of the above properties and that production operations at these plants would be temporarily affected during the relocation process.

As for the leased property in Weihai, we have obtained the written confirmation from the local real estate and building authorities that the leased property was constructed by the lessor, there is no dispute as to its title and the lessor is in the process of applying for the building ownership certificate. Additionally, the property lease agreement has been filed and registered with the local real estate and building authorities. Our PRC legal advisor, Deheng Law Firm, is of the opinion that, in the event that we have to relocate due to the lessor's lack of ownership certificate or disputes relating to the ownership of the leased property, we shall have right to claim for compensation from the lessor for all losses we incur in relation to the relocation.

As for the leased properties in Wuhan, we have obtained the letters of commitment from two lessors in which they guarantee that if we have to relocate due to the lack of ownership certificates or disputes of ownership rights, they will compensate us for any losses we incur. Furthermore, we have also obtained the written confirmation from the local real estate and building authority in Wuhan that the local registration process for the property lease has not started yet and therefore, we cannot file and register our property lease agreement in Wuhan.

As for the leased property in Shenzhen, the relevant property lease agreement has been filed and registered with the local real estate and building authorities in Shenzhen. In the event that we have to relocate due to the lessor's lack of ownership certificate or disputes relating to the ownership of leased property, we shall have right to claim for compensation from the lessor for all losses we incur in relation to the relocation.

Based on the foregoing, our PRC legal advisor, Deheng Law Firm, is of the opinion that the property lease agreements with relevant lessors are executable and the risk that those agreement may be determined to be invalid by PRC courts is minimal. Our Directors believe those leased properties without proper ownership certificates are not crucial to our business operations in terms of revenue and profit contribution and will not have a material adverse impact on our operations. In Weihai, we have recently purchased a parcel of land with a floor area of 33,397 sq.m. to build new production plants. Upon the completion of the new plants in November 2010, all facilities in leased properties in Weihai will be relocated to the new plants. We have entered into a letter of intent with a district government in Wuhan, Hubei Province in August 2010 to purchase a parcel of land with a floor area of approximately 66 mu to build new production plants. Once the new plants and dormitories are completed, the facilities and people in leased properties will be relocated to the new site. We expect to finalize purchase of the piece of land in Wuhan by the first quarter of 2011 and that the relocation to the new site in Wuhan to be completed by the second half of 2011. In addition, in Shenzhen, if we have to relocate, due to the availability of alternative premises, we are confident that we can easily find another place in Shenzhen under reasonable terms where we can relocate our operations to.

INTELLECTUAL PROPERTY

We rely on internal confidentiality requirements and other protections of our technical know how to maintain our technical advantages in technology, product design and production processes. We also expect to rely on patents and copyrights to protect our proprietary technologies. Our employees, in particular, those involved in our research and development projects and other related activities, are required to comply with our internal confidentiality requirements. Our technicians who work in our research and development center and the technical departments at our head office and each of our subsidiaries are required to sign agreements acknowledging that we own the rights to all technologies, inventions, trade secrets, works of authorship, developments and other processes generated in connection with their employment with us or their use of our resources or relating to our business or our property and that they must assign any ownership rights that they may claim in those works to us. We have also included confidentiality clauses in our sales and purchase contracts with some customers.

As of the Latest Practicable Date, we have obtained 45 patents in China and filed applications for 44 other patents with the Patent Office of the SIPO. In addition, we have registered three trademarks and filed applications for seven other trademarks with China's Trademark Office of the SAIC.

As of the Latest Practicable Date, we have obtained three patents and filed applications for one patent Intellectual Property Office in Taiwan. In addition, we have filed applications for nine trademarks with Intellectual Property Office of Ministry of Economic Affairs in Taiwan.

Furthermore, as of the Latest Practicable Date, we have filed applications for three trademarks with Hong Kong Trademark Registry of the Intellectual Property Department of Hong Kong, and we have registered 1 trademark in Korea.

For further details, please see "Appendix VI — Statutory and General Information — Intellectual property rights".

INSURANCE

We currently maintain insurance coverage on our fixed assets and other properties, plant and equipment, inventory and employee social security. We do not maintain insurance for business interruption or product liabilities. We consider that our insurance coverage is consistent with relevant industry practice. During the Track Record Period and up to the Latest Practicable Date, we had not received any material claims from our customers or end-users of our products regarding any of our products or encountered any major production interruptions.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

Environmental Matters

Our operations are subject to various PRC environment related laws and regulations, including the PRC Environmental Protection Law (1989) (中華人民共和國環境保護法), the PRC Environmental Impact Assessment Law (2003) (中華人民共和國環境影響評估法), Measures for the

Control of Pollution from Electronic Information Products and Corresponding Standards (2007) (電子信息產品污染控制管理辦法) and the PRC Production Safety Law (2002) (中華人民共和國安全生產法).

Our operation activities generate little waste water or other wastes and therefore the cost of compliance with applicable environmental protection rules and regulations during the Track Record Period was non material and given that our operations including our production activities are expected to remain largely the same going forward, we expect our cost of compliance to remain non material. Our production activities are conducted in accordance with the environmental protection procedures and requirements that meet the standards of the ISO14001 and QC080000 environmental management systems as well as the directive on the toxic and hazardous substances, or RoHS, issued by the European Union in 2003 to exercise control over the toxic and hazardous materials used in certain electronic products. ISO14001 standard, which represents the core set of standards used by companies for designing and implementing an effective environmental management system to assist companies in reducing their negative impact on the environment. It does not dictate absolute environmental performance but serves instead as a framework to assist companies in developing their own environmental management system. In summary of the requirements of the ISO14001, a company is required to establish an environmental management system by implementing organizational structure, setting up environmental policy, management programs and trainings, effective procedures, monitoring measurements and maintaining timely review system. QC080000 standard is designed to achieve an effective control over the toxic and hazardous substances through the implementation of effective management system. In summary of the requirements of the QC080000, a company is required to identify and quantify hazardous or other substances restricted by the statutory and regulatory requirements that are included in the product and its production processes and implement an effective plan to reduce or eliminate hazardous substances, including managing the trail of use, inclusion and disposal of subject substances. We have obtained ISO14001 and QC080000 certifications for environmental management systems for all of our production facilities except for Changshu Electronic in respect of ISO14001 and Weihai Cable in respect of QC080000, respectively.

Our PRC legal advisor, Deheng law firm, is of the opinion that, the aforesaid certificates are not compulsory certificates regulated by PRC laws in order for enterprise to engage in production of products similar to that of the Group, and the Directors confirm that Changshu Electronic and Weihai Cable, depending on their needs, can decide whether to apply for such certification or not. Whilst the Directors consider obtaining such certifications to be positive for overall corporate image and customers' confidence, the decision on whether to apply for such certification would ultimately depend on whether our customers requested for us to be certified in such areas before they purchase products from us. As the customers of Changshu Electronic and Weihai Cable have not specifically requested for each company to obtain such certifications, the Directors considered it is not necessary for Changshu Electronic and Weihai Cable to obtain the ISO14001 and QC80000, respectively.

Our production operations are also subject to regulations and periodic monitoring by the State Environmental Protection Administration of the PRC and the relevant local environmental protection authorities. Under the relevant PRC laws and regulations, we are required to submit an environmental impact assessment to the local environmental protection bureau for approval before undertaking construction of any new production facility or major expansion or renovation of an existing production facility. If any of our facilities is found to have engaged in activities that severely polluted or endangered the environment, the relevant authorities may impose penalties on us, as well as require us to restore the environment or remedy the effects of the pollution. Any failure to so restore or remedy within the prescribed time could result in our licenses being terminated.

Our PRC legal advisor, Deheng Law Firm, is of the view, that we comply with applicable laws and regulations on environmental protection in all material respects and that, during the Track Record Period and up to the Latest Practicable Date, we were not in breach of such laws and regulations in any material respect. As of the Latest Practicable Date, we had not been subject to any material fines or legal action involving non-compliance with any relevant environmental regulations. As of the Latest Practicable Date, we were not involved in any threatened or pending action against us by any environmental regulatory authority in any of the jurisdictions in which we operate.

Health and Safety Matters

We are subject to various safety laws and regulations in the PRC including the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law (中華人民共和國勞動合同法), the Production Safety Law of the PRC (中華人民共和國安全生產法) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time. Our operations are also subject to occupational health and safety regulations set by the Ministry of Labor and Social Security and the relevant local government occupational health and safety authorities.

For the purposes of ensuring compliance with the applicable law and regulations, our human resources department, which is responsible for the formulation and implementation of human resources policies, will from time to time make adjustment, if necessary, to our human resources policies to accommodate material changes to relevant labor and safety laws and regulations to ensure their compliance. In addition, we have established a production safety committee (the "Safety Committee") which is responsible for production safety and labor health and safety matters within our Group. The Safety Committee is consisted of the heads of our various departments and our in-house legal personnel. The Safety Committee members meet regularly to review our operations safety measures and production safety standards to ensure our production safety policies comply with the requirements of the applicable laws and regulations. We also seek legal advice from outside counsel on labor and safety related compliance matters as and when required.

In an effort to ensure the safety of our employees, we implement operational procedures and safety standards for our production process, including fire safety, warehouse safety, work-related injuries, electricity safety, and emergency and evacuation procedures. We provide our employees with occupational safety education and training to enhance their awareness of safety issues. We also carry out equipment maintenance on a regular basis to ensure their smooth and safe operation.

The Directors confirm, and our PRC legal advisor, Deheng Law Firm, is of the view, that we comply with the applicable health and safety laws and regulations in all material respects, and that, during the Track Record Period and up to the Latest Practicable Date, we were not in breach of such laws and regulations. We have not encountered any safety-related accidents that had any material impact on our operations during the Track Record Period and up to the Latest Practicable Date.

EMPLOYEES

We had 741, 906, 1,074 and 1,056 employees as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. A breakdown of our employees by function as of the dates indicated is set forth below:

	As at 31 December						As at 30 June	
	2007		2008		2009		2010	
	Number of employees[(1)]	% of total	Number of employees[(1)]	% of total	Number of employees[(1)]	% of total	Number of employees[(1)]	% of total
Manufacturing	238	32.1	263	29.0	331	30.8	305	28.9
Sales and marketing	68	9.2	86	9.5	89	8.3	89	8.4
General and administration	243	32.8	324	35.8	383	35.7	364	34.5
Research and Development	84	11.3	97	10.7	114	10.6	143	13.5
Quality control	108	14.6	136	15.0	157	14.6	155	14.7
Total:	**741**	**100.0**	**906**	**100.0**	**1,074**	**100.0**	**1,056**	**100.0**

Note:

(1) The number of the employees set forth herein excludes the contract workers that were provided to us by independent third party contract worker providers through their contractual arrangements with us.

As of 31 December 2007, 2008 and 2009 and 30 June 2010, we had 2,081, 1,500, 1,965 and 5,121 contract workers, respectively. We have engaged a significant number of such contract workers primarily because we believe that it is more efficient for us to utilize third party contract worker providers which specialize in recruiting personnel for labor intensive and non-essential production processes and other activities for sizeable manufacturing companies like us while we can use our internal resources to focus on recruiting and retaining technical and other personnel for essential production processes. Pursuant to our contractual arrangements with contract worker providers, all of whom are Independent Third Parties, for the services of each contract worker, we pay the salary of the workers and the management fee charged by the independent third party contract worker service providers, who are responsible for the salary, social insurance and other benefits of such contract worker. We use these contract workers primarily for manufacturing activities and our back office work. Our PRC legal advisor, Deheng Law Firm, has advised us that, pursuant to the Employment Contract Law, where a third party contract worker provider does not duly pay the salary, social insurance and other benefits to the contract workers, the contract worker provider and the relevant employer (our Group in this case) shall assume joint and several liabilities for such payments. Notwithstanding the above, our PRC legal advisor, Deheng Law Firm, is of the opinion that the risk exposed to our Group relating to such liability is remote for the following reasons: (a) pursuant to our agreement with all of our third party contract worker providers, our Group transfers the salaries to the contract workers directly to ensure their receipt by such workers; (b) our Controlling Shareholders have agreed to indemnify our Group should such liability arise; (c) our Group and our Controlling Shareholders upon their having indemnified our Group against such liabilities, are entitled to claim against the contract worker providers for compensation pursuant to our agreement with the relevant contract worker providers; and (d) as of 30 September 2010, our Group has not received any such claim from the contract workers.

As advised by our PRC legal advisor, Deheng Law Firm, our use of contract workers through the contractual arrangements with third party contract worker providers as described above is in compliance with the relevant laws and regulations of the PRC. The number of contract workers as of 30 June 2010 increased substantially as compared to 31 December 2009 primarily because (i) we significantly expanded our production capacities, including adding a number of production lines for our internal signal cable assembly, RGB assembly, DVI assembly and other products in the first half of 2010. See "— Production Facilities and Equipment"; and (ii) we took on additional contract workers in May and June 2010 in order to provide them training in advance in preparation for the planned increase in production in the second half of the year as our customer purchase orders typically increase in the second half of each year as well as for the planned expansion of production capacity in 2011. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the salaries for contract workers we paid amounted to approximately RMB20.2 million, RMB24.1 million, RMB21.8 million and RMB36.3 million, respectively, while the management fees related to such contract workers we incurred amounted to approximately RMB2.2 million, RMB2.7 million, RMB2.3 million and RMB3.6 million, respectively.

In order to maintain quality, knowledge and skill levels of our employees, we place a strong emphasis on training. We provide training to our employees periodically, including introductory training for new employees, technical training, professional and management training, team-building and communications training.

We have adopted the employee incentives aimed at motivating our employees and retaining talent, which include the Share Option Scheme. For details of the Share Option Scheme, please see "Statutory and General Information — Share Option Scheme" in Appendix VI to this document.

Our staff costs (including salaries and other compensation for our employees) for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were RMB60.5 million, RMB71.4 million, RMB81.5 million and RMB74.6 million, respectively.

There is the workers' union within our Company. We have not experienced any significant difficulty in recruiting employees nor have we had any significant staff compensation or labor disputes during the Track Record Period neither have we witnessed or expect such demand for pay raise from our employees or contract workers as a direct result of labor unrest witnessed at several PRC based manufacturing companies recently. Accordingly, we continue to determine our wages according to prevailing market wage rate in respective locations as well as performance of such employees and contract workers for the foreseeable future in order for us to remain competitive. We consider our relations with our employees to be good.

We are also subject to various labor laws and regulations in the PRC including the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law (中華人民共和國勞動合同法), the Interim Regulation on the Levy of Social Insurance Premiums (社會保險費徵繳暫行條例), the Regulation Concerning the Administration of Housing Fund (住房公積金管理條例) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

According to the above mentioned laws, regulations, rules and provisions, we must enter into labor contracts if labor relationships are to be established between our employees and our PRC subsidiaries. We are also obliged to provide our employees with welfare schemes including pension insurance, medical insurance, injury insurance, unemployment insurance, childbirth insurance and housing fund contribution. We have not paid, or have not been able to pay, certain past social insurance or housing fund contributions for and on behalf of some of our employees before June 2010 in strict compliance with the relevant PRC regulations due to differences in local regulations, inconsistent implementation or interpretation by local authorities in the PRC, different levels of acceptance of the social security system by employees, as well as insufficient knowledge on our part regarding social insurance and housing system. Some employees were from rural areas outside of the area where the Group locates ("rural workers") and their residence registrations are with the villages from which they came. The relevant local government authorities have different policies regarding social security contribution schemes for rural workers, who migrate from place to place, which makes it difficult for rural workers to transfer their social security registrations to other localities and continue their social security contributions (including recognizing contributions already made under previous registrations). Some of these rural workers are reluctant to participate in social security contribution schemes on the basis that the financial burden of participation outweighs the corresponding benefits, primarily because contributions of pension insurance, medical insurance and unemployment insurance are required to be paid by employees as well as employers, and their inability to transfer contributions previously made by them. In addition, we have not been able to pay housing provident fund contributions for our employees in circumstances where employees have not been willing to make corresponding contributions.

According to the confirmations received from relevant PRC authorities in Weihai, Changshu of Suzhou, Dezhou, Wuhai and Shenzhen in charge of administration of social insurance and housing funds, our PRC subsidiaries and our senior management have not been and will not be imposed any administrative penalty or subjected to any punitive or other measures in relation to such non-compliance. In addition, our PRC legal advisor, Deheng Law Firm, is of the view that, (i) as long as we make contributions of social insurance and housing funds within the deadline notified by the relevant government authorities and unless they consider our contributions to be not sufficient and notify us to do so, we shall not be subject to any penalty; (ii) in the event that we do not make contributions within the notified deadline, we may be subject to a late payment fee of 0.2% of the total outstanding amount per day, calculated from the date on which the relevant social insurance contribution amount become overdue until the date that full payment is made, and a fine of up to a maximum of RMB50,000 in total in respect of non-payment of housing fund contributions; and (iii) the possibility that the Group will be requested by the relevant administrative authorities to make up the balance of unpaid social insurance and housing fund which happened before 30 June 2010 or be imposed with administrative penalty is minimal. Since we have paid the social insurance and housing fund contributions in respect of all the qualified employees since June 2010 and have set aside approximately RMB5.4 million as provision for the outstanding social insurance and housing fund contributions, the above non-compliance would not have any material adverse effect on our operations.

In addition, an indemnity undertaking from the Controlling Shareholders has been obtained to pay any excess contribution if the amount of the provisions made in respect of the overdue contributions is insufficient to cover the outstanding contributions. In accordance with applicable laws and regulations, employers may not unilaterally pay their portion of the contribution to the relevant authority in circumstances where an employee's portion of the contribution has not been paid. Therefore, for those related employees, who are no longer employed by us, we will not be able to complete the requisite procedures for the payment of the outstanding contributions; however, if they voluntarily opt to make the payments for their own portion of the overdue contributions, and request us to make up for such past overdue contributions as employer, we undertake to pay the contributions in accordance with the requisite regulatory procedures.

Our Directors confirmed that all PRC subsidiaries, pursuant to relevant PRC laws and regulations, opened the accounts of social insurance and housing fund by June 2010 and have paid the full amount of social insurance and housing fund to the accounts for the benefit of all qualified employees in a timely manner since then. To ensure on-going compliance, a particular personnel has been designated to take charge of the supervision and examination of our compliance with social insurance and housing fund related regulatory requirements and communicate, on a monthly basis with relevant regulatory authorities and our PRC legal advisor with a view to keep abreast of any changes of the relevant regulations or other related regulatory developments. The relevant new regulatory requirements would be circulated, in the form of internal memo, regularly to relevant staff at all departments and subsidiaries of the Group to ensure on-going compliance and the abovementioned designated personnel shall also be responsible for reviewing compliance related work done and compliance records by all relevant departments and subsidiaries across the Group.

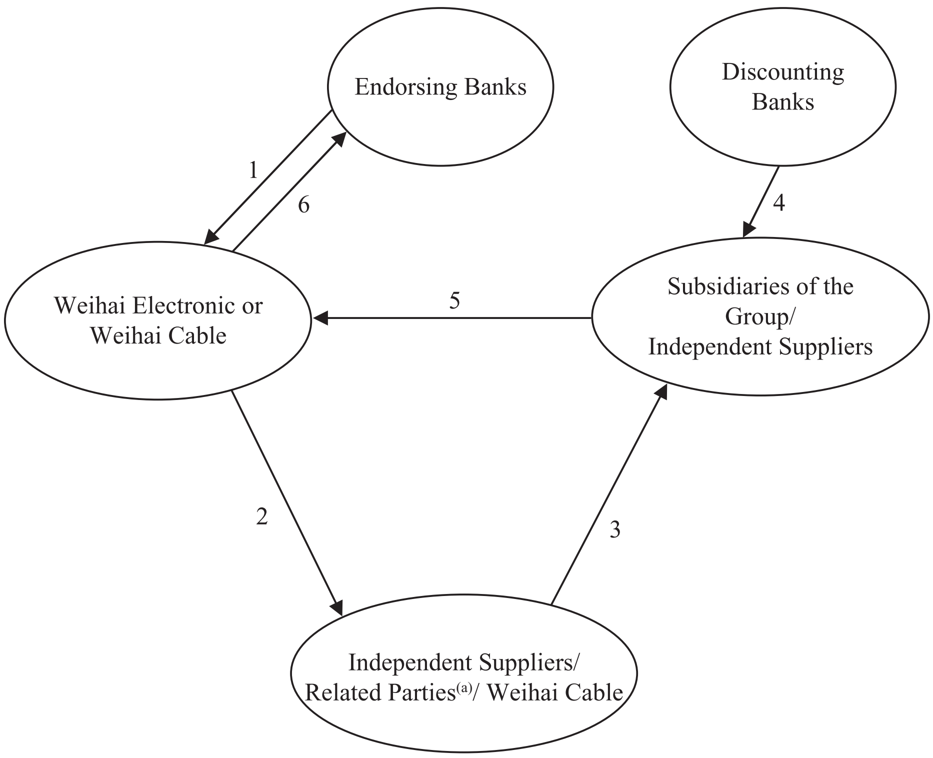
NON-COMPLIANT BILL FINANCING

Background

Between July 2005 to June 2009, we entered into credit agreements or maximum mortgage agreements with three local branches of national commercial banks in China pursuant to which such banks (the "endorsing banks") agreed to provide credit within stipulated limits with one-year term. The credit agreements or maximum mortgage agreements generally include provisions relating to the limit, terms and types of credit facilities, including the issuance of bank acceptance notes, to be granted by the banks and the guarantees required for such credit facilities. Within the stipulated credit limits, we can issue bank acceptance notes to our suppliers as payments for our purchases of supplies.

In order to issue such bank acceptance notes, we are typically required to enter into bank acceptance agreements (銀行承兑協議) with the endorsing banks, which require the presentation of the purchase contracts to support the issuance of such bank acceptance notes. The bank acceptance agreements generally include provisions relating to the terms of the bank acceptance notes, including payment terms and arrangements related to the required deposits. Under these agreements, we are generally required to make initial deposits with the endorsing banks in amounts of at least 30% of the face amount of the bank acceptance notes to be issued by us. In 2007, 2008 and 2009, the aggregate initial deposits for the issuance of such non-compliant bank acceptance notes were approximately RMB6.9 million, RMB21.3 million and RMB14.8 million, respectively. These acceptance notes are due within two to six months. Under these agreements, on or before the maturity date, we pay the remaining balance of the face amount of the bank acceptance notes to the endorsing banks. At any time prior to the maturity date, the bank acceptance notes may be presented, together with the related purchase contracts, by the relevant suppliers to PRC banks for discounting and payment. These relevant suppliers will obtain an amount equal to the face amount of the bank acceptance notes after deducting discounted interest. At maturity, the bank acceptance notes may be presented to the endorsing banks for settlement. Our Directors have confirmed that all required initial deposits were maintained with the endorsing banks at all times during the Track Record Period and all remaining amounts of the bank acceptance notes issued by us during the same period were paid to the endorsing banks on or before their maturity dates.

As the discounted interest rates of bank acceptance notes are normally lower than the prevailing interest rates for short-term bank loans, to take advantage of these lower interest rates, we obtained funding for our business operations through issuing such bank acceptance notes (but within the credit limits stipulated by the endorsing banks and supported by the initial deposits made by us) to relevant suppliers (including independent suppliers, related parties or Weihai Cable) but using the proceeds for the purposes other than the payment for the purchases from these suppliers (the "non-compliant bill financing"). Please refer to the chart below for an illustration of the mechanics in such non-compliant bill financing. Notwithstanding the use of such non-compliant bill financing, the Directors confirm that during the Track Record Period, the actual amount of our total purchases from these relevant suppliers was greater than the amount of non-compliant bill financing. See "— Effects on our financial position". In respect of the non-compliant bill financing, we would pay for the cost to discount the respective bank acceptance notes earlier than maturity and would incur such cost as interest expenses in our financial statements during the relevant periods. The Directors believe that bank acceptance notes and commercial short term loans may not be directly comparable with each other as the Group may not use commercial short term loan as a direct substitute for any bank acceptance notes it had obtained from the endorsing banks through non-compliant bill financing. However, for illustration purpose only, an analysis of interest that indirectly applied to the Group through use of such arrangement as compared to short-term bank loans available to the Group is presented as follows: the discounted interest rates of bank acceptance notes in 2007, 2008 and 2009 were 5.25%, 5.99% and 1.98%, respectively, whereas the prevailing interest rates for short-term bank loans in the same period were 8.51%, 8.83% and 6.83%, respectively. Accordingly, the interest expenses incurred by the Group through the use of the bill financing arrangement in 2007, 2008 and 2009 were RMB0.3 million, RMB1.1 million and RMB0.3 million, respectively, and the interest presumably saved by the Group through the use of such arrangement was RMB204,000, RMB936,000 and RMB789,000, respectively. The following flow chart illustrates the mechanics of the non-compliant bill financing:



Notes:

(a) Mainly included Yu Shun Rong, which supplied raw materials to Weihai Electronic and Weihai Cable. The Directors confirm that no funding is obtained through the Group with the non-compliant bill financing.

(1) Overall credit limit was granted by endorsing banks and subsequent bank acceptance agreements were entered into between Weihai Electronic or Weihai Cable and endorsing banks upon presentation of purchase contracts. The required initial deposits were recorded under "bank deposits" in the consolidated statement of financial position.

(2) Bank acceptance notes were issued to independent suppliers or related parties or Weihai Cable (when the Group sourced internally from Weihai Cable) for making the payment based on the purchase contracts presented upon deposit of 30% of the face amount of the bank acceptance notes. The issued bank acceptance notes were recorded in "bills payable" with a corresponding debit entry in "trade payables" to the independent suppliers or related parties in the consolidated statement of financial position.

(3) The bank acceptance notes were endorsed by independent suppliers or related parties to one of the Group's PRC subsidiaries. The endorsed bank acceptance notes were recorded in "bills receivable" with a corresponding credit entry in "trade payables" to the independent suppliers or related parties in the consolidated statement of financial position. If the bank acceptance notes were issued to Weihai Cable, Weihai Cable would endorse them to independent suppliers. The endorsed bank acceptance notes were recorded in "bills payable" with a corresponding debit entry in "trade payables" to the independent suppliers in the consolidated statement of financial position.

(4) The Group's relevant subsidiaries or independent suppliers presented the bank acceptance notes to the discounting banks (any authorized domestic banks in the PRC, including the endorsing banks) for discounting. The discounted receipts and relevant finance cost incurred by subsidiaries of the Group were recorded in "bank balances and cash" in the consolidated statement of financial position and "finance costs" in the consolidated statement of comprehensive income respectively. A corresponding credit entry was made to "bills receivables" in the consolidated statement of financial position.

(5) The Group's relevant subsidiaries or independent suppliers refunded the amount received from discounting the bank acceptance notes to Weihai Electronic or Weihai Cable. Amounts refunded by subsidiaries of the Group represented intra-group fund transfers while for those discounted and refunded by independent suppliers, the discounted receipts and relevant finance cost incurred were recorded in "bank balances and cash" in the consolidated statement of financial position and "finance costs " in the consolidated statement of comprehensive income respectively. A corresponding credit entry was made to "trade payables" in the consolidated statement of financial position.

(6) On or prior to the maturity date of the bank acceptance notes, Weihai Electronic/Weihai Cable repaid the balance of the face amount of the bank acceptance notes to the endorsing banks. The "bills payable" recorded in step 2 and step 3 would have been settled upon repayment of such remaining balance.

We used the non-compliant bill financing arrangements to fund a portion of our business operations from July 2005 to June 2009[b], and all bank acceptance notes involved in such non-compliant bill financing were fully settled by December 2009. Our Directors have confirmed, and our PRC legal advisor, Deheng Law Firm, is of the opinion that neither fraudulent activities nor false documents (such as falsified contracts or receipts) were involved in obtaining such non-compliant bill financing. The endorsing banks in their confirmations have also confirmed the same. In addition, the endorsing banks have confirmed that they did not incur any loss as a result of our business activities with them.

The respective suppliers were willing to engage in the non-compliant bill financing arrangements because of their long-standing business relationship with us, with the intention to assist us to conduct our business. The Directors confirmed that independent suppliers did not receive any amount as rebate or other incentives for assisting us in connection with the non-compliant bill financing activities and that the Group has not been involved in any non-compliant trade financing activities for the benefit of the above-mentioned related parties and independent suppliers during the Track Record Period.

As part of our preparation for our [●], we were advised by our PRC legal advisor, Deheng Law Firm, that while the relevant bill financing was conducted in compliance with the terms and conditions under the relevant agreements with the endorsing banks, but because the purpose of the financing was not for the purpose of the payment for the underlying subject transaction, such bill financing was not in compliance with the PRC Negotiable Instruments Law (中華人民共和國票據法) (in particular Article 10 which states that bank acceptance notes shall be issued on the basis of actual underlying transactions) and certain banking regulations promulgated by the PBOC, including the Measures for the Implementation of the Administration of Negotiable Instruments (票據管理實施辦法), the Measures for Payment and Settlement of Accounts (支付結算辦法) and the Notice of the People's Bank of China on Certain Improvements to the Negotiable Instruments Systems (中國人民銀行關於完善票據業務制度有關問題的通知). Since then, our Directors recognized that the non-compliant bill financing constituted a breach of the relevant PRC laws and regulations and became

[b] The first bank acceptance note was issued on 29 July 2005 and the last one was issued on 19 June 2009.

fully aware of the consequences of the past non-compliant actions regarding the non-compliant bill financing. We ceased conducting the non-compliant bill financing in June 2009 and fully settled all bank acceptance notes involved in the non-compliant bill financing in December 2009.

Effects on our financial position

In 2007, 2008 and 2009, the aggregate amount of the bank acceptance notes issued by us, which was used for purposes other than the payment for the purchases from relevant suppliers, was approximately RMB22.9 million, RMB71.0 million and RMB49.5 million, respectively, whereas the aggregate amount of related actual purchases (including VAT)[1] from the relevant suppliers was approximately RMB100.9 million, RMB116.6 million and RMB79.9 million, respectively. The funding for our business operations obtained from the banks through such non-compliant bill financing in 2007, 2008 and 2009 was estimated to be approximately RMB14.9 million, RMB49.7 million and RMB34.6 million, respectively.[2] Based on relevant prevailing interest rates of short-term bank loans, we estimated, for illustration purpose only, that our savings in interest payments from the non-compliant bill financing arrangements were approximately RMB204,000, RMB936,000 and RMB789,000 in 2007, 2008 and 2009, respectively. As of 31 December 2007, 2008 and 2009, the year-end balance of the non-compliant bill financing was approximately RMB9.8 million, RMB14.7 million and nil, respectively.

We had unutilized banking facilities of approximately RMB48.3 million, RMB124.3 million and RMB162.5 million as of 31 December 2007, 2008 and 2009, respectively[3]. We maintained bank balances and cash and restricted bank balances of approximately RMB39.1 million, RMB58.4 million, and RMB115.2 million, respectively, as of 31 December 2007, 2008 and 2009. In addition, we borrowed new bank loans of approximately RMB210.4 million, RMB393.1 million and RMB544.4 million, respectively, in 2007, 2008 and 2009. Since the full settlement of all outstanding bank acceptance notes involved in the non-compliant bill financing arrangements in December 2009, we have demonstrated that we have sufficient funding to support our business operations based on our operating income, adequate credit facilities and established relationships with PRC commercial banks and our ability to raise capital. Based on the foregoing, our Directors consider that we would have had sufficient funding for our business operations in 2007, 2008 and 2009, assuming that there were no such non-compliant bill financing activities during the same period.

Subsequent actions undertaken by us and our Directors

Our Directors have received advice from Deheng Law Firm, our PRC legal advisor, and Protiviti, an independent internal control advisor, covering matters related to, among other things, the

(1) The amounts of purchases reported to the relevant PRC tax bureau for VAT and Enterprise Income Tax (EIT) purposes, which are the same as the amounts included in our financial statements, reflect actual purchase amounts with valid VAT invoices. Since the overstated amounts of the non-compliant bill financing arrangements were not actual purchases and there were no purchase VAT invoices issued by the relevant suppliers, we would not have any input VAT available to credit against the output VAT levied on sales. As such, the overstated amounts of the non-compliant bill financing arrangement shall have no impact on our VAT input claim. With respect to EIT, as only actual purchases with valid VAT invoices were included in our cost of sales, the overstated amounts of the non-compliant bill financing arrangement shall have no impact on our EIT liability.

(2) Since substantially all of the bank acceptance notes issued by us were due in six months and we normally deposited at least 30% of the face amount of such bank acceptance notes in the endorsing banks, the funding for our business operations obtained through non-compliant bill financing on an annual basis was estimated to be 70% of the amount of the non-compliant bill financing.

(3) The amount of the unutilized banking facilities represented the difference between the aggregate amount of granted credit limits available to our Group, including the credit limits provided by the endorsing banks under the credit agreements and credit limits provided by other banks, and the aggregate amount of utilized banking facilities during the relevant periods. If we had not been engaged in the non-compliant bill financing arrangements described above, the amount of banking facilities made available to us by the banks may have been different during that period.

legal implications arising from the non-compliant bill financing activities, internal controls system and corporate governance. Save for Mr. Chi and Mr. Jiang Taike who were involved in the authorization of the non-compliant bill financing arrangements and Mr. Li Jianming who were involved in the execution of such arrangements at the relevant times, none of the Directors or senior management was involved in the non-compliant bill financing arrangements. Mr. Chi, Mr. Jiang Taike and Mr. Li Jianming all confirmed that they have not obtained any personal benefit directly or indirectly from the non-compliant bill financing. All Directors have confirmed that they fully comprehend their obligations and duties to take rectifying measures and to prevent the non-compliant bill financing or other non-compliant activities from happening again in the future. Our Directors have also undertaken that our Group will not engage in non-compliant bill financing or other non-compliant activities in the future. We have also taken a series of actions to address and rectify this issue. See "— Strengthening our internal control system and corporate governance measures" for details.

Legal opinion from our PRC legal advisor

To obtain an assessment of the potential legal implications of such non-compliant bill financing for us, our Directors and senior management, we have sought legal advice from our PRC legal advisor, Deheng Law Firm. On the basis that (i) the total amount of such non-compliant bill financing did not exceed the total credit limits granted by the relevant banks; (ii) our Directors and senior management were at all relevant times acting in the best interests of our Company; (iii) we paid all amounts due to the endorsing banks in full and on time; (iv) all bank acceptance notes involved in the non-compliant bill financing were fully settled by December 2009, our PRC legal advisor has advised us that (1) due to the fact that the relevant banks and third parties have not incurred any losses, we will not have any liability under any civil claims arising from such non-compliant bill financing, (2) our Directors and senior management will not be personally liable for any civil claims, and (3) there are no relevant PRC laws or regulations, nor are there any relevant rules promulgated by the PBOC or the China Banking Regulatory Commission (中國銀行業監督管理委員會) ("CBRC") imposing administrative or criminal liability in respect of such non-compliant bill financing. In particular, pursuant to Article 3 of the PRC Criminal Law (中華人民共和國刑法) and Article 4 of the PRC Administrative Penalty Law (中華人民共和國行政處罰法) describing the principles of "a legally prescribed punishment for a specified crime" and "administrative penalty decided by statutory regulations," there is no legal basis for any PRC regulatory authority to impose administrative or criminal liability on us, our Directors or senior management in relation to the overstated bill financing. Our PRC legal advisor, Deheng Law Firm, has advised us that there is no legal basis for any PRC regulatory authority to impose administrative or criminal liability on us, our Directors or senior management in relation to the non-compliant bill financing. Similarly, our PRC legal advisor, Deheng Law Firm, is also of the opinion that, based on the foregoing analysis, there is no legal basis for any PRC regulatory authority to impose any civil, administrative or criminal liabilities on third party suppliers for their involvements in such non-compliant bill financing activities and as such the possibility that these third party suppliers being subject to any legal liabilities due to the non-compliant bill financing is very minimal. These legal opinions are consistent with the written confirmations we obtained from the relevant parties and government agencies as further discussed below.

The Company's PRC legal advisor, Deheng Law Firm, is of the opinion that, pursuant to the Negotiable Instruments Law (票據法) and other applicable laws and regulations, it is not provided that PBOC or CBRC has authority to impose any administrative punishment on the enterprises involved in non-compliant bill financing. The regulatory authorities having jurisdiction over our Group, namely Jinan Branch of PBOC and Shandong Bureau of CBRC, have respectively issued a confirmation in which each of them has confirmed that they will not impose any administrative punishment on or take any punitive or other measures against the Group's PRC subsidiaries, our Directors or senior management involved in the non-compliant bill financing. In addition, the relevant banks have also confirmed that they did not incur any loss arising from the non-compliant bill financing activities and hence waived their right to take any legal actions against Weihai Electronic, Weihai Cable, their shareholders, directors or senior management involved in the non-compliant bill financing. Therefore, Deheng Law Firm is of the opinion that the possibility that the endorsing banks are subject to penalty from the relevant government authorities as the result of non-compliant bill financing is very minimal and so is the possibility for any potential claim against the Group to be made by the endorsing banks, in particular, in respect of the interest presumably saved by the Group as the result of the non-compliant bill financing.

Confirmations from relevant endorsing banks

Since certain of our agreements with the endorsing banks involving non-compliant bill financing provide that the issuance of bank acceptance notes should be made based on actual purchases and transactions, in June 2010, we met with the branch presidents and/or customer relation managers of the endorsing banks and subsequently obtained such banks' written confirmations (the "Confirmations") that in connection with our business activities with them prior to December 2009, (i) our payments to them related to non-compliant bill financing were made in full and on time; (ii) they did not incur any losses as a result of our business activities with them; (iii) they will not take any legal action against us, our Directors and senior management; (iv) the bill financing arrangements will not impact any future bank credit facilities that may be granted by the banks to us, and (v) the endorsing banks have prior knowledge that the proceeds could be used by the Company for purposes other than repayment of the relevant purchases. The Company has confirmed that each of the three endorsing banks has consented to and approved the relevant bill financing when entering into bank acceptance agreements with us based on the purchase contracts we presented and confirmed that neither fraudulent activities were involved nor loss was incurred to them as the result of our business activities with them. They have also confirmed that we did not engage in any fraudulent action towards these endorsing banks in connection with the non-compliant bill financing activities.

Confirmations from and consultation with relevant government agencies

In June 2010, we, together with our PRC legal advisor, initiated meetings and consulted with the Jinan Branch of the PBOC and the Shandong Bureau of the CBRC, regarding our non-compliant bill financing. The PBOC is responsible for drafting the PRC Negotiable Instruments Law and other relevant laws and regulations, and the CBRC is the regulatory authority overseeing commercial banks and their operations in China. Our PRC legal advisor has advised us that the PBOC and CBRC are the only two regulatory authorities who may determine whether there is any breach of PRC laws and regulations, or impose any liability, in relation to the non-compliant bill financing. Since Weihai Electronic and Weihai Cable were incorporated in Shandong Province, the Jinan Branch of the PBOC and the Shandong Bureau of the CBRC are the two appropriate government agencies that we should approach and consult with regarding this matter. Notwithstanding the fact that such non-compliant bill financing was not in compliance with the Negotiable Instruments Law and relevant regulations of the PRC as disclosed above, on the basis that the non-compliant bill financing activities did not result in any loss to the relevant banks or any other third party, the relevant government agencies deemed the non-compliant bill financing to be an "immaterial breach of law." Article 27(2) of the Administrative Penalty Law of the PRC states that "penalties may be waived for immaterial breaches of law that have been rectified promptly with no serious consequence caused." Accordingly, the Shandong Bureau of the CBRC confirmed in its written letter dated 13 June 2010 and the Jinan Branch of the PBOC confirmed in its written letter dated 1 June 2010 that the banking regulatory authorities are not required to impose any administrative penalty to companies in relation to their non-compliant bill financing under the current PRC laws and regulations, and they would not impose any administrative penalty or take any punitive or other measures against our Group's PRC Subsidiaries and senior management involved in the non-compliant bill financing. These written confirmations represent the government agencies' view and assessment of actions to be taken by them on issues related to the non-compliant bill financing. As of the date of this document, we have not received any notice of formal investigation or inquiry regarding the non-compliant bill financing from these agencies.

The Confirmations were officially and duly issued by the three endorsing banks and Shandong Bureau of CBRC and Jinan Branch of PBOC respectively. Our PRC legal advisor, Deheng Law Firm, is therefore of the opinion that the issuance of confirmations was duly made by relevant bodies with the appropriate authority in compliance with applicable regulatory and administrative procedures and the confirmations are legal and valid. [●] confirmed that, based on the above opinion of Deheng Law Firm, it is of the view that the confirmation issued by the three endorsing banks, Shangdong Bureau of the CBRC and Jinan Branch of the PBOC were by the relevant regulatory bodies with appropriate authority over this issue.

Strengthening our internal control system and corporate governance measures

Since June 2009, we have formulated and adopted a series of specific internal guidelines and corporate governance measures, such as requiring specific approval of each bank acceptance note supported by the actual transaction records, to ensure no similar incidents will occur in the future and that all future financings are properly supported by actual transactions and also used only for the designated purpose of paying for the purchase of goods from suppliers. In April 2010, we engaged Protiviti, an independent internal control advisor, to examine our overall internal control system. We particularly asked Protiviti to examine our internal control policies and procedures in relation to our capital management. See "Business — Internal Control". Protiviti commenced its review of our internal control system, including internal control policies and procedures over issuing, recording and management of bank acceptance notes, in May 2010. Rectifying measures and status of rectification work performed by us are:

Rectifying measures	Status of rectification work
● setting up mechanism to ensure that the duties of bill financing related matters are properly segregated, such as separating the administrative functions of the issuance of bank acceptance notes from our internal approval of such bank acceptance notes;	● Completed in June 2009
● setting up mechanism to ensure that management approval is required for each bank acceptance note supported by the actual transaction records (such as contracts and payment note);	● Completed in June 2009
● setting up mechanism to perform reconciliation and stocktake on the bank acceptance notes, review the stocktake result and notes summary by the financial manager and report the results to the Audit Committee on a monthly basis;	● Mechanism to perform stocktake completed in July 2010. The control of reporting to Audit Committee will be implemented after [●]
● compiling a bank acceptance note training material (with the assistance of Protiviti and Deheng Law Firm) for circulation to all Directors and relevant personnel of the Group; and	● Completed in August 2010
● providing relevant training to all newly joined Directors or relevant personnel of the Group.	● In progress

In addition, we have retained Protiviti, an independent internal control and risk consulting company, to review and test our bill financing activities periodically for compliance with the policies upon [●] and provide reports for our Audit Committee to review and approve.

Since May 2010, Protiviti has been reviewing our internal control policies and procedures over issuing, recording and management of bank acceptance notes. During the review, Protiviti noted a control deficiency and found that the Company had not performed stocktaking on the bank acceptance notes on a regular basis. Protiviti recommended that the relevant finance personnel at each subsidiaries of the Group perform stocktaking on the bank acceptance on a weekly basis and record the results accordingly for the inspection of a relevant finance supervisor at each subsidiaries of the Group who will then perform independent inspection on the stocktake results. Both the finance personnel who performs the stocktake and the financial supervisor are required to sign off on the stocktake record. In addition, the stocktake record will be reviewed by the finance manager of the Company at the headquarter level on a monthly basis. Protiviti confirmed that during its follow-up review in July 2010, Protiviti noted that the Company has remediated this control deficiency by already putting in place the above recommended checks and controls by Protiviti. Protiviti also recommended that the results of the review be reported to the Audit Committee on a monthly basis. Such review by the Audit Committee will be implemented upon [●] as Protiviti has recommended. Protiviti will perform follow-up review on this matter following [●] of the Company.

In the report issued by Protiviti to us on 8 July 2010, based on the sample test, saved as above, Protiviti did not identify (i) any current deficiencies of internal control over bank acceptance notes or (ii) any bank acceptance notes issued by us since 19 June 2009, which involved any non-compliant bill financing activities.

To ensure compliance with all applicable laws and regulations and our internal control systems are up-to-date and function properly, we will continue to engage Protiviti for at least the next 12 months after [●] to (i) conduct verifications of our newly implemented internal control mechanisms and measures on a quarterly basis; and (ii) examine and monitor our bank acceptance notes activities on a quarterly basis and provide its report on our internal control to our Audit Committee. Our Audit Committee will also report internal control matters related to compliance issues to our Corporate Governance Committee.

Indemnity from Controlling Shareholder

Our Controlling Shareholder has agreed to indemnify us against any losses, liabilities and expenses, relating to any claim brought by the banks, regulatory authorities or any other third party in relation to the non-compliant bill financing.

INTERNAL CONTROL

We focus on enhancing our internal control and risk management systems. Our Board of Directors and senior management assume the overall responsibilities for overseeing the implementation of our internal control procedures and other measures throughout our company. In an effort to further improve our internal control, we engaged, Protiviti, an independent internal control advisor, for an initial review of our overall internal control system in May 2010. The scope of work of the review conducted in May 2010 included a review of our internal control over key business processes, including, among others, financial reporting, sales, procurement, inventory management and fixed asset management. In the report issued by Protiviti to us, Protiviti did not identify any material weakness or deficiency in our internal control system, and recommended a number of actions to be taken to further improve our existing internal control process.

In accordance with relevant rule 3A.15(5), [●] by relying primarily on the works of Protiviti, has made a formal statement to the Stock Exchange that having made reasonable due diligence inquiries, including interviewing Protiviti to understand its assessment of the Company's current internal control systems and discussing with Protiviti the contents of its internal control reports with regards to non-compliant bill financing, it has reasonable grounds to believe, and does believe, that the Company has established procedures, systems and controls (including accounting and management systems) which are adequate and effective.

LEGAL PROCEEDINGS

In July 2009, Shanghai Anhong Construction & Engineering Co., Ltd. ("Shanghai Anhong") (上海安宏建設工程有限公司), an Independent Third Party contracted by Weihai Electronic for the construction of various plants and dormitory buildings in Weihai, brought a lawsuit against Weihai Electronic in the People's Intermediate Court of Weihai, claiming for the overdue payment of construction service fees and interest in a total amount of approximately RMB7.8 million (including RMB7.7 million of overdue construction service fees and RMB0.1 million of delay interest thereof (the "Claims")) which Weihai Electronic had not paid due to its claim of quality defects in Shanghai Anhong's construction service. The construction was completed in January 2009 and the total cost of RMB43.4 million was recorded as the Group's property, plant and equipment as of 31 December 2009. The plants and dormitory buildings in Weihai have been in use by the Group since January 2009. As at 31 December 2009, the Group has paid construction cost of RMB36.6 million to Shanghai Anhong and accrued unpaid construction payable to Shanghai Anhong of RMB6.8 million. The Group recorded a construction cost payable of RMB6.8 million in its consolidated financial statements as at 31 December 2009 instead of RMB7.7 million because RMB0.9 million was already paid but not yet received by Shanghai Anhong at the time the lawsuit was filed and such receipt was subsequently acknowledged by Shanghai Anhong. In September 2009, Weihai Electronic counterclaimed that Shanghai Anhong was in breach of the construction contact due to the delay in completion of the construction for 212 days and quality defects and requested for liquidated damages of approximately RMB2.1 million and Weihai Electronic's legal expenses related to this legal proceeding. Such legal proceeding is currently pending for trial in the People's Intermediate Court of Weihai.

Pursuant to the order of the People's Intermediate Court of Weihai, both Shanghai Anhong and Weihai agreed to appoint a third party accounting firm to perform an independent audit in respect of the volume of construction work conducted by Shanghai Anhong. Our PRC legal advisor, Deheng Law Firm, has advised us that the PRC court will determine the final construction payable to Shanghai Anhong with reference to such firm's report.

Based on the advice of our PRC legal advisor, Deheng Law Firm, and the facts or evidences presented to the court during the hearing and mediation, our Directors are of the view that our Group have valid grounds to defend Shanghai Anhong's claims. Accordingly, the Group has accrued the construction costs of the plants and dormitory buildings of RMB6.8 million and did not accrue the delay interest of RMB0.1 million relating to the Claims in the consolidated financial statements.

Notwithstanding the above, given the size of the claim involved in the litigation, even in the unlikely event that the Company loses the counterclaim, the Directors confirmed that there will be no impact on the Company's operational position and given that the full RMB6.8 million amount has already been accrued in the accounts as of 31 December 2009, there will be no further adverse impact on the Company's financial position.

As of the Latest Practicable Date, the People's Intermediate Court of Weihai has not yet rendered any decision on the parties' claims, and the parities' dispute remains unresolved.

Save as disclosed above, as of the Latest Practicable Date, there are no legal proceedings or arbitrations, pending or threatened, against us that could have a material adverse effect on our business, financial condition or results of operations.

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of [●] and [●] (taking no account of Shares which may be issued pursuant to the exercise of [●] and options which may be granted under the Share Option Scheme), Chenlin International, which is wholly-owned by Mr. Chi, will be interested in approximately 40.9% of the issued share capital of the Company. Hence, Mr. Chi and Chenlin International will be the Controlling Shareholders within the meaning of the relevant rules. Save as disclosed in the document, Chenlin International is a shell company held by Mr. Chi with no principal business. It does not have interest in any other companies which may, directly or indirectly, compete with our Group's business.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

The Directors consider that the Group is capable of carrying on its business independent of the Controlling Shareholders and their associates for the following reasons:

Management independence and operational independence

Although the Controlling Shareholders will retain a controlling interest in the Company after [●], the Company has full rights to make all decisions on, and to carry out, its own business operations independently. The Company (through its subsidiaries) holds all relevant licenses necessary to carry on the business, and has sufficient capital, equipment and employees to operate the businesses independently from the Controlling Shareholders.

The Company's management and operational decisions are made by the executive Directors and senior management who have served the Company and/or its subsidiaries for a long time and/or have substantial experience in the industry in which the Company is engaged. Further, the Company's three independent non-executive Directors will bring independent judgment to the decision-making process of the Board.

As of the Latest Practicable Date, the Directors confirmed that they do not have interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

There are not any continuing connected transactions between the Group and the Controlling Shareholders or their respective associates which are subject to the reporting, announcement and the independent shareholders' approval requirement under the relevant rules (the "Non-exempt Continuing Connected Transactions") upon the completion of [●]. The Directors do not expect that following [●] there will be any Non-exempt Continuing Connected Transactions between the Group and any of the Controlling Shareholders or their respective associates. Based on the above, the Directors are of the view that the Company is independent of the Controlling Shareholders in terms of management and business operations.

Administrative independence

The Group has its own capabilities and personnel to perform all essential administrative functions including financial and accounting management, inventory management and research and development. The senior management staff is independent of the Controlling Shareholders.

Financial independence

The Group has its own financial management system and the ability to operate independently from the Controlling Shareholders from a financial perspective. The Directors believe that the Group is capable of obtaining financing from external sources without reliance on the Controlling Shareholders. As of 30 June 2010, the Group has no outstanding balances due from/to related parties. The Directors confirmed that all other non-trade payable balances with the Controlling Shareholder and other balances with related parties of the Group has been fully settled as at 30 June 2010.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders have confirmed that they are neither engaged, nor interested, in any business which, directly or indirectly, competes or may compete with the Group's business (as disclosed in this document) and would require disclosure under Rule 8.10 of the relevant rules.

On 25 October 2010, the Company entered into the Deed of Non-Competition with each of the Controlling Shareholders. Pursuant to the Deed of Non-Competition, each of the Controlling Shareholders irrevocably and unconditionally, jointly and severally, covenants and undertakes with the Company that each of the Controlling Shareholders shall not, and shall procure that none of its/his associates shall, directly or indirectly, establish, invest, involve in, manage, operate or otherwise hold any right or interest, directly or indirectly, in the business of a manufacturer engaging in the design, research and development, manufacture and sale of signal cable assembly, power cord assembly, wire & cable and connector products, and such other business conducted or carried on by the Group from time to time (the "Restricted Business") within Asia and such other places as the Group may conduct or carry on business from time to time (the "Territory").

The non-competition undertakings do not apply to the following:

(a) having any interests in the shares of any member of our Group; or

(b) having interests in the shares of a company which shares are listed on a recognized stock exchange provided that:

    (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated sales or consolidated assets, as shown in that company's latest audited accounts; and

    (ii) the total number of the shares held by any of the Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective associates are not entitled to appoint a majority of the directors of that company.

The Controlling Shareholders have further undertaken to procure that, during the term of the Deed of Non-Competition, any business investment or other commercial opportunity in the Territory relating to the Restricted Business (the "Business Opportunity") identified by or offered to any of them, is first referred to the Company in the following manner:

(a) the Controlling Shareholders shall give a written notice to the Company of any Business Opportunity containing all information reasonably necessary for the Company to consider whether (i) such Business Opportunity would constitute competition with the Restricted Business, and (ii) it is in the interest of the Company and the shareholders of the Company as a whole to pursue such Business Opportunity, including but not limited to the nature of the Business Opportunity and the details of the investment or acquisition costs (the "Offer Notice").

(b) any of the Controlling Shareholders (the "Offeror") who has given the Offer Notice will be entitled to pursue the Business Opportunity only if (i) the Offeror has received a notice from the Company declining the Business Opportunity and confirming that such Business Opportunity would not constitute competition with the Restricted Business; or (ii) the Offeror has not received any reply from the Company within 15 Business Days from the Company's receipt of the Offer Notice and if no independent non-executive Directors has made any request to further extend the decision period within such 15 Business Days to a date mutually agreed between our Company and the Controlling Shareholders, to obtain further information in order to make an informed decision. If there is a material change in the terms and conditions of the Business Opportunity, the Controlling Shareholders shall refer the Business Opportunity as so revised to the Company in the manner as set out above.

Upon receipt of the Offer Notice, the Company will seek opinions and decisions from the Company's board committee comprising independent non-executive Directors who do not have a material interest in the matter as to whether (i) such Business Opportunity would constitute competition with the Restricted Business, and (ii) it is in the interest of the Company and the Company's shareholders as a whole to pursue such Business Opportunity.

Any decision on whether to take up the Business Opportunity shall be decided by the independent non-executive Directors. In determining whether or not our Company shall exercise such right of first refusal and pursue such Business Opportunity, the independent non-executive Directors shall take into account the following factors:

(a) whether the relevant business of our Company in relation to the Business Opportunity has attained a considerable size;

(b) whether the Business Opportunity will enhance our Company's profitability and competitive advantages in the core business of the Company;

(c) whether the Business Opportunity will attain profit within a reasonable period;

(d) whether the Business Opportunity will be in line with the strategic development of our Company from time to time;

(e) whether our Company's funding capability and/or capital expenditure projections would allow the taking up of the Business Opportunity by our Group; and

(f) whether Shareholders' value will be maximized by taking up the Business Opportunity.

The independent non-executive Directors may, at the cost of our Company, appoint any professional advisor as they consider necessary to advise them on the terms of any such business opportunity.

The Deed of Non-Competition also provides, amongst other things, that:

(i) the independent non-executive Directors shall review, at least on an annual basis, the compliance with the Deed of Non-Competition by the Controlling Shareholders and his/its associates, and the Controlling Shareholders shall provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;

(ii) the Controlling Shareholders shall allow and shall procure its/his associates to allow the representatives and the auditors of the Company to have access to such of their respective financial and corporate records as may be necessary for the Company to determine whether the non-competition undertakings have been complied with by them and their respective associate;

(iii) The Controlling Shareholders shall allow and shall procure its/his associates to allow the independent non-executive Directors and auditors of the Company to have access to all information as may be necessary for them to determine the right of first refusal and any referral of Business Opportunity;

(iv) the Company shall disclose the independent non-executive Directors' decision (with basis) to pursue or decline any opportunity to engage in the Business Opportunity referred by the Controlling Shareholders, and decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the undertakings provided by the Controlling Shareholders either in the Company's annual report or by way of announcements to the public; and

(v) the Controlling Shareholders shall make a statement in our annual report in respect of their compliance and that of their respective associates with the terms of the Deed of Non-Competition and that the Company will disclose the review by the independent non-executive Director on the compliance with, and the enforcement of, the Deed of Non-Competition in the Company's annual report and such disclosure shall be consistent with the principles of making voluntary disclosures in the "Corporate Governance Report" under the relevant rules.

The Deed of Non-Competition will cease to have effect on (i) the day on which the Shares cease to be listed on the Stock Exchange; (ii) the day on which the Controlling Shareholders and his/its associates in aggregate cease to be entitled to exercise or control the exercise of (directly or indirectly) no less than 30% of the voting power at general meetings of the Company and the relevant Controlling Shareholder cease to be a director of any member of the Group; or (iii) the day on which the Controlling Shareholders beneficially own or are interested in the entire issued share capital of the Company.

BOARD OF DIRECTORS

The Board of Directors is responsible and has general powers for the management and conduct of the Group's business, and consists of thirteen Directors including seven executive Directors, three non-executive Directors and three independent non-executive Directors. The Company has entered into service contracts with each of the Directors.

The following table sets forth certain information in respect of members of the Board of Directors of the Company.

Executive Directors:

Name	Age	Position in the Company
Chi Shaolin	39	Chairman, Executive Director and Chief Executive Officer
Jiang Taike	36	Executive Director and Vice Chief Executive Officer
Li Jianming	38	Executive Director and Chief Financial Officer
Tseng Chih-ming	47	Executive Director
Sui Shikai	35	Executive Director
Mao Wanjun	43	Executive Director
Kang Jin Won	48	Executive Director

Non-executive Director:

Name	Age	Position in the Company
Xu Yiming	59	Non-executive Director and Advisor
Du Li	52	Non-executive Director
Wu Kezhong	46	Non-executive Director

Independent non-executive Directors:

Name	Age	Position in the Company
Shu Wa Tung, Laurence	38	Independent non-executive Director
Song Lizhong	35	Independent non-executive Director
Zheng Lin	39	Independent non-executive Director

Mr. Chi Shaolin (遲少林), aged 39, the Chairman, is an executive Director and Chief Executive Officer of our Company, and is in charge of overall strategic planning, business planning and responsible for decision making in all material matters of our Group. Mr. Chi was appointed as a Director of the Company on 16 November 2007.

Mr. Chi joined the Group in November 1997 and is a founder of the Group. Mr. Chi has been a director and the chairman of Changshu Electronic, Weihai Cable, Changshu Connecting-Technology, Weihai Electronic, Wuhan Electronic, Dezhou Electronic, Changshu Cable and Shenzhen Communication Technology since 10 June 2002, 30 July 2003, 1 March 2004, 25 April 2005, 11 October 2005, 13 March 2006, 25 August 2006 and 5 November 2009, respectively.

Mr. Chi has over 15 years of experience in the electronics industry gained in our Group and in his previous employment. He is a Chinese national and has not been a full time government official nor a full time employee of a state-owned/operated entity. Prior to joining our Group, Mr. Chi worked as the production manager of Shengshan Electronics (Weihai) Company Limited (勝山電子(威海)有限公司) from March 1995 to October 1997.

Mr. Chi is a representative to the 11th Session of Weihai Committee of the Chinese People's Political Consultative Conference Committee and has been awarded many awards or recognizations by the government of Weihai City, Shandong Province, China Commerce Association (中國商業協會) and certain other organizations, including "Outstanding Young Entrepreneur of Weihai City" (威海市優秀青年企業家), "Self-innovation Award for the Most Influential Person of Weihai City for the Economic Year" (威海市最具影響力經濟年度人物自主創新獎), "Award for Entrepreneur Operating a Key Enterprise in the Weihai Economic and Technology Development Area" (威海經濟技術開發區骨幹企業經營者創業獎), "Model for the Labor of Weihai Economic and Technology Development Zone" (威海經濟技術開發區勞動模範) during the period of April 2008 to May 2010. In 2010, Mr. Chi was also awarded the "Outstanding Entrepreneurs of Shandong Province (the 18th Series)" (第十八屆山東省優秀企業家).

Mr. Chi is the son-in-law of Ms. Xu Yiming, our non-executive Director and advisor.

Mr. Jiang Taike (蔣太科), aged 36, is an executive Director and Vice Chief Executive Officer of our Company and the general manager of the wire & cable department of our Group. Mr. Jiang is in charge of implementation of strategy, operational planning and overall management of the wire & cable department of the Group and has been involved in decision making for material matters of our Group. Mr. Jiang joined the Group in July 2003 as the general manager of Weihai Cable and was appointed as a Director of the Company on 16 March 2010.

Mr. Jiang has been a director of Weihai Cable, Changshu Cable, Shenzhen Communication Technology since 8 July 2003, 2 August 2006 and 27 October 2009, respectively.

Mr. Jiang has over 14 years of experience in the wire and cable industry gained in our Group and in his previous employment. Before joining our Group, Mr. Jiang worked for many companies in the electronics and technology industries, including as an engineer of Wantai Group (萬泰集團) from August 1996 to March 1999 in charge of the product design, research and development, a deputy manager of Dongguan Licheng Wires Factory (東莞立成電線廠) from March 1999 to August 1999 responsible for the production and technology, a deputy manager of Fengyuan Wires and Cables Co., Ltd. (豐源電線電纜有限公司) from August 1999 to June 2001 responsible for overall management and operations, and the general manager of Shenzhen Pengding Holdings Co., Ltd. (深圳朋鼎實業有限公司) from July 2001 to May 2003. Mr. Jiang graduated from Shenzhen University with a college diploma in management in 1996.

Mr. Jiang is a brother-in-law of Mr. Mao Wanjun, an executive Director of the Company.

Mr. Li Jianming (李建明), aged 38, is an executive Director and Chief Financial Officer of our Company. Mr. Li joined our Group in May 2005 as our Chief Financial Officer and was appointed as a Director of the Company on 16 March 2010. He has participated in decision making for material matters of our Group since joining the Group and is responsible for the financial management, capital investment and financing decisions of our Group. Mr. Li is also in charge of the promotion and improvement of the information system, internal supervision and control and other related matters of the Group.

Mr. Li has been a director of Weihai Electronic since 31 December 2009.

Mr. Li has over 16 years of experience in finance management gained in our Group and in his previous employment. Prior to joining us, Mr. Li was the chief accountant of the PRC office of The

Timken Company, one of the Fortune 500 Companies, for financial management matters from July 1994 to June 2001. Mr. Li was the chief financial officer of Qingdao Jinling Electrical Appliances Co., Ltd. (青島金嶺電器有限公司), a sino-foreign joint venture enterprise, from June 2001 to May 2004, responsible for its financial management, financial process optimization, internal supervision and control and other related matters, and was the head of Technology of Qingdao Branch of Zhuhai Master Service Software Technology Co., Ltd., (珠海天思軟體技術有限公司青島分公司) from May 2004 to May 2005 in charge of promoting and implementing the development of information system.

Mr. Li graduated from Shandong Economic University with a bachelor's degree in accounting in 1994. He is a senior accountant (高級會計師) and obtained the ICPA certificate in April 2009 and the SIFM certificate in June 2010. Senior accountant qualification (高級會計師資格) is the highest accounting qualification awarded by such PRC government bodies, namely, the Ministry of Human Resources and Social Security (人力資源和社會保障部) and the Ministry of Finance (財政部), based on the academic level, practical capability and working experience of the relevant accounting professionals. He has extensive experience in enterprise finance, financial management, enterprise taxation planning and Enterprise Resource Planning information management and published various articles in journals from 2007 to 2009 in respect of finance management.

Mr. Tseng Chih-ming (曾志銘), aged 47, is an executive Director of our Company and the vice general manager of Changshu Connecting-Technology responsible for the technology research and development, marketing strategies and operational planning for its connector business and the overall management of Changshu Connecting-Technology, and has led Changshu Connecting-Technology to obtain six patents in the connector related areas.

Mr. Tseng joined our Group in August 2009 as the vice manager of the connector business department of Changshu Connecting-Technology and was appointed as a Director of the Company on 16 March 2010.

Mr. Tseng has over 22 years of experience in the electronic connector industry gained in our Group and in his previous employment. Before joining our Group, Mr. Tseng worked as the head of the laboratory of Tenlung Industrial Shares Co., Ltd. (騰龍工業股份有限公司) in charge of the experimental projects and testing analysis from March 1988 to July 1991 and was in charge of the management of Plastron Electronics (Shenzhen) Co., Ltd. (普樂創電子（深圳）有限公司) from August 1991 to July 2009. He has 18 years' experience in the research and development, production and sale of connectors, whereby he created various new inventions relating to production of connectors, leading to the grant of various patents.

Mr. Sui Shikai (隋世凱), aged 35, is an executive Director of our Company and the vice general manager of the external signal cable assembly and power cord assembly department of the Group responsible for the overall operation and management of the department. Mr. Sui has over 13 years of experience in the electronic industry gained in our Group. Mr. Sui joined our Company in November 1997 and served as the head of production division of Weihai Electronic in December 1997 responsible for the production management of No. 1 production division, and was promoted to be the production manager of Weihai Electronic in March 2000 responsible for the production management, product processing and production cost control of the company. Mr. Sui has been the director of Changshu Electronic since December 2005. He was appointed as the vice general manager of the external signal cable assembly and power cord assembly department of the Group in July 2009 and has acted as the director of Weihai Electronic and Wuhan Electronic since 31 December 2009 and 18 January 2010, respectively. He has been a Director of the Company since 16 March 2010.

Mr. Sui has more than 10 years' experience in cost control and enterprise management and has the expertise in product processing and development. He was in charge of our research and development projects that improved the soldering method and technology in 2007 and transformed the DVI and RGB series products from double-plate format to integrated format in 2008, thereby significantly optimizing the product design and improving the product quality of our Group.

Mr. Mao Wanjun (毛萬鈞), aged 43, is an executive Director of our Company and the vice general manager of Weihai Cable, mainly responsible for the overall operation and management of Weihai Cable.

Mr. Mao joined our Group in April 2004 as a manager of Weihai Cable. He was promoted as the vice general manager of Weihai Cable in January 2007 and has been an executive Director of our Group since 16 March 2010. Since joining our Group, Mr. Mao has played a leading role in establishing the human resources management system and management information system of Weihai Cable, improving its target management system and other related areas, and enhancing its overall management.

Mr. Mao has over 18 years of experience in the electronic cable industry gained in our Group and in his previous employment. Before joining our Group, Mr. Mao was a department head of Dongguan Wantai Wire Factory (東莞萬泰電線廠) from 1992 to 2004, mainly responsible for the production, quality control, environmental protection and, professional health and safety systems. He has extensive experience in enterprise management and in the implementation of various systems including ISO9001, TS16949 and ISO14001.

Mr. Mao is a brother-in-law of Mr. Jiang Taike, an executive Director.

Mr. Kang Jin Won (姜振遠), aged 48, is an executive Director of our Company and the general manager of the FFC business department of Changshu Connecting-Technology.

He joined the Group in August 2009 as the general manager of the FFC business department of Changshu Connecting-Technology and was appointed as an executive Director of the Company on 16 March 2010.

Mr. Kang has over 18 years of experience in the electronic and technology industry gained in our Group and in his previous employment. Prior to joining our Group, Mr. Kang worked in LG Co., Ltd. in Gunpo, Korea from 1990 to 1994, Seoul Wires Co., Ltd. in Korea from 1994 to 1997, New Korean S&T Daewoo Co., Ltd. from 1997 to 1999 and in KFC Electronics of Korea from 1999 to 2001 responsible for FFC conductor research and development. Mr. Kang worked in Lianyungang Zhongzhen Precision Co., Ltd. (連雲港中振精密有限公司) in September 2001 and is responsible for its overall management and development. He is one of the first professional technicians in the Korean FFC industry, and has more than 18 years' experience in such area.

Mr. Kang has been involved in the development of the Chinese FFC industry for over 10 years and provided technology advice and services to P-TWO Industries Inc., one of the largest FFC factory in China, and introduced into China the Korean FFC related processing technology, raw material technology, and equipment and machinery technology.

Ms. Xu Yiming (徐藝銘), aged 59, is a non-executive Director and advisor of our Company. Ms. Xu joined our Company in November 1997 as one of our senior management officers. Ms. Xu was the vice general manager of Weihai Electronic and the vice general manager of Dezhou Electronic, responsible for the daily administration in such companies from November 1997 to March 2006 and from March 2006 to March 2009, respectively. Ms. Xu has been an advisor of the Group since 2009 and our non-executive Director since 16 March 2010.

Since becoming our advisor in 2009, Ms. Xu has, utilizing her past experience in our Group and in the industry, provided on-going general advice on quality control management systems and processes.

Ms. Xu has over 24 years of experience in the electronic industry gained in our Group and in her previous employment. Prior to joining our Group, Ms. Xu was the head of the production division of Weihai City Beiyang Optical Instrument Factory (威海市北洋光學儀器廠) from 1986 to 1993, and the vice general manager of Xingdi Electronic Company Limited (星地電子有限公司), a subsidiary of Weihai City Beiyang Electric Appliances Group (威海市北洋電器集團), from May 1994 to April 1997.

Ms. Xu is the mother-in-law of Mr. Chi Shaolin.

Mr. Du Li (杜力), aged 52, has been a non-executive Director of our Company since 16 March 2010.

He is currently the senior investment manager and the general manager of the business operation in Shandong and a member of the investment committee of Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司) and the general manager of Shenzhen Kangwo Chuangxin Investment Management Co., Ltd. (深圳市康沃創新投資管理有限公司). Mr. Du received a doctorate degree in Optics from Xi'an Institute of Optics and Precision Mechanics of the Chinese Academy of Sciences in December 1997, and was a tutor at the Faculty of Optical Physics of Changchun Institute of Optics and Fine Mechanics (長春光學精密機械學院) from January 1982 to August 1984, and a deputy researcher of Xi'an Institute of Optics and Precision Mechanics of the Chinese Academy of Sciences from December 1987 to April 1998 during which he studied at Technische Universitaet Berlin in Germany and received a certificate of advanced professional training in semiconductor physics and optoelectronics in 1993. From April 1998 to September 1999, he worked as the technology market manager of Shenzhen Anke High Technology Shares Co., Ltd. (深圳安科高技術股份有限公司). Since 1999, he has been working in Shenzhen Capital Group Co., Ltd. (深圳市創新投資集團有限公司). Mr. Du was awarded the first prize of technology advancement of the Chinese Academy of Sciences for the period from 1993 to 1994. Mr. Du has been non-executive director of Anhui Fengyuan Pharmaceutical Co., Ltd. (安徽豐原藥業股份有限公司) (Shenzhen Stock Exchange Code: 000153) since November 2007.

Mr. Wu Kezhong (吳克忠), aged 46, has been a non-executive Director of our Company since 16 March 2010.

Mr. Wu was a lecturer at the Faculty of Securities in Shanghai Jiao Tong University from July 1987 to January 1990. He was engaged in securities investment consultation for investment banks since 1992. Mr. Wu was engaged in investment business on Wall Street in the United States from 1995 to 2002. In 2002, Mr. Wu relocated from the United States to China and has since then been participating in various venture capital projects in industries such as financial services, media, telecommunications, electronic commerce, consumer products and new materials. In 2007, he led the investment in the listing of Guangzhou King Teller Technology Co., Ltd., a leading automatic teller machines (ATMs) manufacturer and ATM network operator in China on the Small and Medium

Enterprises Board of the Shenzhen Stock Exchange. Mr. Wu received a degree in engineering as well as a degree in law from Shanghai Jiao Tong University in July 1985 and July 1987, respectively. He received a master of science degree in engineering management from the University of Southwestern Louisiana in December 1994.

Mr. Shu Wa Tung, Laurence (舒華東), aged 38, is an independent non-executive Director of our Company.

Mr. Shu was appointed as an independent non-executive Director of our Company on 25 October 2010. He is currently an independent non-executive director of Perception Digital Holdings Limited (Hong Kong Stock Exchange Stock Code: 8248) and Greater China Holdings Limited (Hong Kong Stock Exchange Stock Code: 431).

Mr. Shu has over 15 years of experience in audit, corporate finance and corporate financial management. Mr. Shu started to work with Deloitte Touche Tohmatsu since March 1994, and was a Manager of the Reorganization Services Group when he left Deloitte Touche Tohmatsu in October 2000. Mr. Shu was subsequently employed by ICEA Capital Limited (工商東亞融資有限公司) as a Manager in the Equity Capital Market of the Corporate Finance Division from November 2000 to June 2001, responsible for the daily management of listing application projects and advising on merger and acquisition transactions. He then worked in Deloitte & Touche Corporate Finance Limited as a Manager from July 2001 to November 2002. From November 2002 to April 2005, Mr. Shu held the position of Associate Director in Goldbond Capital (Asia) Limited (金榜融資（亞洲）有限公司). He served as the Chief Financial Officer and the Company Secretary of Texhong Textile Group Limited (天虹紡織集團有限公司) (Stock Code: 2678) for the period from May 2005 to July 2008 overseeing the company's financial management function. From July 2008 to June 2010, Mr. Shu worked as the Chief Financial Officer of Rongsheng Heavy Industries Holdings Limited (熔盛重工控股有限公司), and oversaw the financial management of the company and its subsidiaries. Mr. Shu is currently the Chief Financial Officer of Petro-king International Company Limited (百勤國際有限公司), overseeing the financial strategies and daily financial management function of the company and its subsidiaries. Mr. Shu graduated from Deakin University in Australia with a Bachelor Degree in Business majoring in Accounting in 1994. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountant and a Certified Practicing Accountant of CPA Australia.

Mr. Song Lizhong (宋立眾), aged 35, is an independent non-executive Director of our Company.

Mr. Song was appointed as an independent non-executive Director of the Company on 25 October 2010. Mr. Song is currently an Associate Professor and Instructor of Master Degree Courses in the School of Information Science and Engineering of Harbin Institute of Technology in Weihai, focusing on research on radar signal processing, antenna technology, electromagnetic field and microwave technology. He has published more than 20 academic papers.

Mr. Song graduated from Harbin Institute of Technology with a master's degree in electromagnetic field and microwave technology in July 2001 and a doctorate degree in communication and information system in July 2005. He is engaged in research at the Mobile Station of Post Doctoral Researches for Electronic Science and Technology Subjects (電子科學與技術學科博士後科研流動站) of Harbin Institute of Technology.

Ms. Zheng Lin (鄭琳), aged 39, is an independent non-executive Director of our Company.

Ms. Zheng was appointed as an independent non-executive Director of the Company on 25 October 2010. Ms. Zheng is a practicing PRC lawyer and has been working with Beijing Huatang Law Firm since April 2008. Prior to that, she worked at Welfare Electronics Company located in the Economic and Technical Development Zone of Weihai City in Shandong Province from October 1992 to May 1995, the Weihai Airlines Services Company Limited from June 1995 to June 2001 and Shandong Ying Liang Tai Ye Law Firm from August 2004 to March 2008. She graduated from Shandong University in July 2004 after completing the online program in law and is qualified to practice law in China having passed the Chinese national judicial examination in 2004. Ms. Zheng passed the National Securities Qualifications Examination (國家證券業資格考試) in 2006 and is also qualified to serve as an independent non-executive director of companies listed in China.

Ms. Zheng is a member of China Zhi Gong Party (中國致公黨) and a member of Weihai Committee of the Chinese People's Political Consultative Conference Committee. She has provided legal services to various government departments, listed companies, state-owned enterprises and other entities, including Shandong Zhengda Medical Equipment Shares Co., Ltd. (山東正大醫療器械股份有限公司), Shandong Lianqiao New Materials Shares Co., Ltd. (山東聯橋新材料股份有限公司), Shandong Shuanglun Group Co., Ltd. (山東雙輪集團公司), Yantai Wanhua Polyurethanes Co., Ltd., (煙臺萬華聚氨酯股份有限公司) and Dongfang Electronics Co., Ltd. (東方電子股份有限公司).

Save as disclosed above, none of our Directors have been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document and none of our Directors has been involved in any events which would require disclosure under Rule 13.51 (2)(h)-(w) of the relevant rules.

SENIOR MANAGEMENT

Mr. Tan Zhen (譚震), aged 33, is a director and the Vice General Manager of Changshu Electronic responsible for the production, research and development, sale of products of internal signal cable assembly products. Mr. Tan joined the Group in December 2008 as the Manager of Changshu Electronic and has acted as the director of Changshu Electronic since July 2009. Mr. Tan was also appointed as the vice general manager of internal signal cable department of the Group since July 2010.

Mr. Tan has over 11 years of experience in the electronic industry gained in our Group and in his previous employment. Before joining the Group, Mr. Tan was the section head in the quality control department of High Tek Harness Enterprises (Zhongshan) Co., Ltd. responsible for the product quality control from July 1999 to February 2003; the coaxial cable project manager of Tyco Electronics (Kunshan) Co., Ltd. responsible for the research and development and production of coaxial cables from March 2003 to April 2004; the manager of the engineering department of High Tek Harness Enterprises (Zhongshan) Co., Ltd. responsible for research and development from May 2004 to February 2008; the manager of Hesi Electronic Technology Co., Ltd. (河思電子科技有限公司) responsible for overall operation from March 2008 to December 2008. Mr. Tan is an expert in the research and development, design of production process and on-site management of slim-wire harness wires and coaxial cable products, and has 11 years' experience in internal signal cable assembly products. He graduated from the Faculty of Electrical Engineering of Nanyang Polytechnic with a diploma in electrical technology in July 1999.

Chen Jing (陳晶), aged 33, is the manager of the finance department of our Company, responsible for financial management of the Group, including formulation of various financial management rules, financial income and expenditure plan, cost planning and budgets, and compilation of the financial report and analysis of the Group. Ms. Chen has over 7 years of experience in accounts management gained in our Group and in her previous employment. Before joining the Group in April 2010, Ms. Chen worked at Deloitte Touche Tohmatsu CPA Ltd. from August 2003 to March 2010 and was the assistant auditing manager from July 2008 to March 2010. She has extensive experience in financial management. She graduated from Dalian University of Technology with a bachelor's degree in Economics and a master's degree in Accounting in 2000 and 2003, respectively.

COMPANY SECRETARY

Ho Wing Yan (何詠欣), aged 28, was appointed as our Company Secretary pursuant to Rule 8.17 of the relevant rules on 1 July 2010. Ms. Ho obtained a bachelor's degree in business administration (applied economics) from Hong Kong Baptist University in November 2004 and a master's degree in corporate governance from The Open University of Hong Kong in June 2009. She is an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries. Ms. Ho has extensive experience in the company secretarial field of listed companies.

Prior to joining our Group, Ms. Ho was a company secretarial officer with Climax Management Company Limited between September 2007 and April 2009. Ms. Ho joined BMI Corporate Services Limited in July 2009 and is currently their senior company secretarial officer. Ms. Ho is also currently the company secretary of Neo Telemedia Limited (Hong Kong Stock Exchange Stock Code: 8167) and Shanghai Jiaoda Withub Information Industrial Company Limited (Hong Kong Stock Exchange Stock Code: 8205).

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

During the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of compensation (including basic salary, share-based compensation and retirement based contribution) paid by the Company to its five highest paid individuals were approximately RMB491,000, RMB701,000, RMB1,608,000 and RMB733,000 respectively.

The executive Directors are also employees of the Company and receive, in their capacity as employees of the Company, compensation in the form of salaries and other allowances and benefits in kind. The Company reimburses the Directors for expenses which are necessarily and reasonably incurred for providing services to the Company or executing their functions in relation to the operations of the Company.

During the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of compensation paid (including basic salary, share-based compensation and retirement benefit contribution) to our Directors were RMB508,000, RMB622,000, RMB1,472,000 and RMB986,000 respectively.

During the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the aggregate amount of retirement benefit contribution to our Directors were RMB10,000, RMB10,000, RMB10,000 and RMB10,000 respectively.

Except as disclosed above, no other payments have been made or are payable, in respect of the Track Record Period, by the Group to or on behalf of any of the Directors.

Upon completion of [●], our compensation and benefits committee will make recommendations on the remuneration of our Directors taking into account the performance of our Directors and market standards. Under the arrangements currently in force, our Company estimates that the aggregate remuneration payable to, and benefits in kind receivable by, the Directors (excluding discretionary bonus) by our Company for the year ending 31 December 2010 will be approximately RMB1.8 million.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 of the relevant rules. The primary duties of the audit committee are to review and supervise the Company's financial reporting process and internal control system and provide advice and comments to the Board. The audit committee consists of three members, namely Mr. Shu Wa Tung, Laurence, Mr. Song Lizhong and Ms. Zheng Lin.

COMPENSATION AND BENEFITS COMMITTEE

The Company has established a compensation and benefits committee which consists of three members, namely Ms. Zheng Lin, Mr. Shu Wa Tung, Laurence and Ms. Xu Yiming. The primary duties of the compensation and benefits committee are to review and give recommendations to the Board in relation to the compensation, remuneration and other benefits paid by the Company to the Directors and the senior management of the Company. The compensation and remuneration of all the Directors and the senior management is subject to regular monitoring by the compensation and benefits committee to ensure that the levels of their remuneration and compensation are appropriate.

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

The Company has established a nominating and corporate governance committee which consists of three members, namely Mr. Chi Shaolin, Mr. Shu Wa Tung, Laurence and Mr. Song Lizhong. The primary duty of the nominating and corporate governance committee is to make recommendations to the Board regarding candidates to fill vacancies on the Board, the chief executive officer and the senior management and to monitor the conduct of corporate governance by the Company in compliance with the Code on Corporate Governance Practices in Appendix 14 to the relevant rules.

COMPLIANCE ADVISOR

The Company has appointed [●] as its compliance advisor (the "Compliance Advisor") pursuant to Rule 3A.19 of the relevant rules. Pursuant to Rule 3A.23 of the relevant rules, the Compliance Advisor will advise the Company on the following matters:

(1) the publication of any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction (as defined under the relevant rules), is contemplated including share issues and share repurchases;

(3) where the Company proposes to use the [●] of [●] in a manner different from that detailed in the document or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in the document; and

(4) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the [●] or [●] of the Company.

The term of appointment of the Compliance Advisor shall commence on the [●] and end on the date of dispatch of the annual report of the Company in respect of its financial results for the first full financial year commencing after the [●] and such appointment shall be subject to extension by mutual agreement.

SUBSTANTIAL SHAREHOLDERS

Immediately following the completion of [●] and [●], but without taking into account the Shares that may be issued pursuant to the exercise of [●], options which may be granted under the Share Option Scheme or [●] arrangements, the following persons (not being our Directors):

- will have interests or short positions in any Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or
- will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group and are therefore regarded as substantial shareholders under the relevant rules:

Name	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Chi(1)	Interest in controlled corporation	294,283,839	40.9%
Yongchang Joint Stock(3)	Registered owner	133,849,094	18.6%
Hongxin Joint Stock(2)	Registered owner	36,791,039	5.1%

Notes:

(1) Mr. Chi owns the entire issue share capital of Chenlin International, which is the beneficial owner of 294,283,839 Shares, representing approximately 40.9% of the issued share capital of our Company upon completion of [●] and [●], but without taking into account the Shares that may be issued pursuant to the exercise of the [●] and options which may be granted under the Share Option Scheme.

(2) Hongxin Joint Stock held 5.1% interest in our Company in trust for the Employee Shareholders, including three Directors of our Company, namely Mr. Li Jianming who is interested in 1,030,431 Shares, Mr. Mao Wanjun who is interested in 1,486,471 Shares and Mr. Sui Shikai who is interested in 1,026,889 Shares.

(3) Yongchang Joint Stock held 18.6% interest in our Company in trust for the Minority Shareholders, including Mr. Jiang Taike, Director of our Company and who is interested in 133,849,094 Shares.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following completion of [●] and [●] but without taking into account or the Shares that may be issued pursuant to the exercise of [●], options which may be granted under the Share Option Scheme or the [●] arrangements, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

The existing Shareholders have no different voting rights in the Shares from those of other Shareholders.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme in which certain eligible participants may be granted options to acquire Shares. Our Directors believe that the Share Option Scheme will assist in our recruitment and retention of quality executives and employees. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix VI to this document.

ISSUING MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of [●] and the [●] plus the aggregate nominal amount of our share capital repurchased by us under the repurchase mandate described below.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable laws to be held; and

(iii) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please see the paragraph headed "Resolutions of our Shareholders" in Appendix VI to this document.

REPURCHASE MANDATE

The Directors have been granted a general unconditional mandate to exercise all the powers of the Company to repurchase aggregate nominal amount of Shares which shall not exceed 10% of the total nominal amount of the share capital of the Company in issue immediately following completion of [●] and the [●].

This mandate relates only to repurchases made on the Stock Exchange or any other stock exchange on which the Shares may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, and which are made in accordance with the relevant rules. A summary of the relevant rules is set out in the section headed "Repurchase of our own securities" in Appendix VI to this document.

This mandate will expire at the earliest of:

(i) the conclusion of our next annual general meeting;

(ii) the expiration of the period within which our next annual general meeting is required by the Articles of Association or any applicable laws to be held; and

(iii) the day on which such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further information about this repurchase mandate, please refer to the paragraph headed "Resolutions of our Shareholders" in Appendix VI to this document.

OVERVIEW

We are a "one-stop" provider of a broad line of cable assembly and connector related products with a leading market share for external signal cable assembly, notebook internal signal cable assembly, power cord assembly and signal transmission wire & cable products for the global high-end consumer electronics industry. According to Frost & Sullivan, an independent market research and consulting company, in our target global high-end consumer electronics market which amounted to about US$560.5 billion or represented about 82.3% of the global consumer electronics market in 2009 (total size in terms of revenue amounting to about US$681.0 billion in 2009), (i) we are the second largest manufacturer of external signal cable assembly products in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 20.8% and 21.8%, respectively; (ii) among all the notebook internal signal cable assembly manufactures in the world, we ranked fifth in terms of revenue for 2009 with a market share of 10.7% and third in terms of revenue for the first half of 2010 with a market share of 19.0%; (iii) we ranked fifth among all the power cord assembly manufacturers in the world in terms of revenue for 2009 and the first half of 2010 with a market share of 4.1% and 5.6%, respectively; and (iv) among all the signal transmission wire & cable manufacturers in the world, we ranked fifth in terms of revenue for 2009 with a market share of 3.9% and third in terms of revenue for the first half of 2010 with a market share of 7.3%.

We focus on the design, research and development, manufacture and sale of our own "Hong-lin" brand name products and have developed an extensive product portfolio covering signal cable assembly, power cord assembly, wire & cable and connector products which are mainly used in the (i) computers and notebooks, (ii) LCD and LED TV, (iii) mobile handsets and (iv) digital cameras. In addition, we offer a comprehensive range of product of different specifications and varieties within each key product type and are therefore able to provide our target customers with a one-stop total solution for their signal cable assembly, power cord assembly, wire & cable and connector products needs. We have also started to manufacture our wireless antenna products in 2010. Furthermore, we plan to increase our product offerings to include automotive wiring harness products, specialty power cables and solar connectors and also increase our focus on the manufacture and sale of environmentally friendly low smoke halogen-free insulating materials, an environment-friendly materials used for cable jacketing in the wire & cable industry.

We believe we have established a well recognized brand for our products in the cable and wire industry. We have established significant competitive strengths in our target markets, including, among others, solid customer base, strategically located manufacturing facilities, vertically integrated production process, and strong research and development capabilities. We intend to leverage on these strengths to and further grow our business so as to capture and benefit from business opportunities in the rapidly developing consumer electronics markets both inside and outside of China.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we recorded revenue of approximately RMB652.6 million, RMB898.0 million, RMB872.4 million and RMB635.7 million, respectively. For the same periods, we recorded net profit attributable to owners of our Company of approximately RMB62.7 million, RMB54.4 million, RMB88.3 million and RMB69.7 million, respectively.

BASIS OF PRESENTATION

Our Company is a limited liability company established in the Cayman Islands on 16 November 2007. Pursuant to the Reorganization to rationalize the structure of our Group in preparation of for [●], our Company became the holding company of the Group on 30 January 2008 as a result of our Company acquiring from Chenlin Trading, which is wholly owned by Mr. Chi, its entire equity interest in Weihai Electronic in consideration for 52,500,000 ordinary shares to be issued to Chenlin International. During the period from January to March 2008, Chenlin Trading further transferred its then equity interests in Weihai Cable, Changshu Electronic, Changshu Cable, Changshu Connecting-Technology, Dezhou Electronic, Wuhan Electronic and Dongguan Electronic (Weihai Electronic, together with its subsidiaries, namely Weihai Cable, Changshu Electronic, Changshu Cable, Changshu Connecting-Technology, Dezhou Electronic, Wuhan Electronic and Dongguan Electronic, are hereinafter collectively referred to as the “Weihai Electronic Group”) to our Company in consideration for 28,510,323 ordinary shares of our Company to be issued to Chenlin International. In addition, the Company acquired the non-controlling interests in Weihai Cable, Changshu Cable and Changshu Connecting-Technology from their then shareholders for a total consideration of US$700,000. See “History, Reorganization and Group Structure — Reorganization”.

The Group comprising our Company and our subsidiaries resulting from the Reorganization is regarded as a continuing entity. Our consolidated financial information has been prepared on the basis as if our Company had always been the holding company of the Group throughout the Track Record Period.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow of the Group have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of establishment of the relevant companies now comprising the Group where this is a shorter period, except for those subsidiaries that were either acquired, merged or disposed of during the Track Record Period which were accounted for from the respective effective dates of acquisition or up to the respective dates of merger or disposal.

The consolidated statement of financial position of the Group as at 31 December 2007 has been prepared to present the assets and liabilities of the companies now comprising the Group as at 31 December 2007 as if the current group structure had been in existence at that date.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, financial position and results of operations are significantly affected by a number of factors, many of which may not be within our control. A discussion of the principal factors affecting our results of operations is set out below.

General Economic Conditions and the Conditions of the Markets for Our Products

As a manufacturer of signal cable assembly, power cord assembly wire & cable, and connector products for use in the global consumer electronics industry, global economic growth and in particular the growth of the global consumer electronics industry have a significant impact on all aspects of our operations, including but not limited to the demand for and pricing of our products. For example, during the Track Record Period, our business and results of operations were affected by the global economic crisis that started in the fourth quarter of 2008 and also the subsequent slowdown in the global consumer electronics industry.

According to Frost & Sullivan, the global consumer electronics industry is expected to continue its recovery from the global economic crisis that started in 2008 and is expected to grow to US$755.4 billion in 2010 as compared to US$681.0 billion in 2009, and grow at a CAGR of 11.7% from 2009 to 2013. In terms of region, China is expected to become an increasingly important market in the global consumer electronics industry, and is expected to grow at a CAGR of 13.2% from 2009 to 2013. Such growth is in line with the continued rapid development of digital TV, Internet, mobile communications networks and Internet of Things, and more digital products are increasingly used in daily lives, which brings significant growth potential for the consumer electronics market. The Directors believe that such growth and continued requirement for product innovation will generate significant business opportunities for our Group's products in the next few years.

Raw Material Costs

Raw material costs constituted the largest component of our cost of sales during the Track Record Period. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, raw material costs accounted for approximately 83.2%, 84.4%, 78.6% and 75.4%, respectively, of our cost of sales. The principal raw materials used in our products are copper materials, plastic materials, iron materials and other materials. Changes in the availability and price of any of such raw materials could have a significant impact on our cost of sales and operating results.

Copper materials constitute the largest component of our raw material costs. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, copper materials accounted for approximately 63.9%, 59.7%, 57.8% and 57.9%, respectively, of total raw material costs. We typically purchase copper materials from suppliers based on the prevailing prices (i.e. average monthly prices of the present or preceding month) on the commodity market. Copper prices fluctuate over time, and the prevailing prices at the time of our purchase may not be equal to the prevailing prices at the time of our sale. Copper price fluctuated significantly during the Track Record Period. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the average monthly price of our copper materials was approximately RMB56,320, RMB52,290, RMB33,960 and RMB49,460 per tonne, respectively. Please refer to "Industry Overview — Analysis of Copper Price" for the historical price information of copper on the LME and the SHFE during the Track Record Period.

However, we are generally able to pass on cost increases of copper to our customers by increasing selling prices of our products. Such adjustment to selling price linked to the prices of copper is stated explicitly in sale contracts we enter into with our customers.

Production Capacity and Facility Expansion

We have expanded our production capacity significantly in recent years through building of new production plants, installation of new production facilities and upgrading our existing production lines to improve our production scale and efficiency. Our standard annual production capacity has increased in general during the Track Record Period. For example, our standard production capacity for (i) external signal cable assembly increased from about 72.5 million units in 2007 to about 90.4 million units in 2009; (ii) power cord assembly increased from about 22.4 million units in 2007 to about 64.0 million units in 2009; (iii) wire & cable increased from about 584.0 million meters in 2007 to about 928.0 million meters in 2009; and (iv) connector increased from about 60.1 million units in 2007 to about 204.4 million units in 2009. See "Business — Production Facilities and Equipment" for detailed information on our production capacity and facility expansion.

We believe that the increases in our production capacity and flexibility in recent years have strengthened our market position and enhanced our competitiveness in the market since we are able to scale produce our products that meet the quantity and quality requirements of our customers in time. Therefore our future growth also depends on our ability to continue to expand the production capacity and to enhance production efficiency. We plan to apply a significant portion of [●] from [●] towards the development of new plants and expansion of existing production capacity as stated in the "Business — Business Strategies" section of the document.

Product Mix

The mix of products that we sell affects our results of operations such as its gross profit margins since different products have different profitability profile. Our research and development capability allows us to be able to continuously develop new products in-house or as an exclusive or a selected research and development partner to our customers in the development of their new products required. Our technology know-how and flexible production facilities enable us to switch production from one product to another in a short period of time. We are therefore able to adjust to and take advantage of changing market conditions to produce the products in high demand. For example, during the Track Record Period, for our internal signal cable assembly products, we made a strategic business decision to move from the production of lower margin Harness product for use in household appliances to focus on the sale of our then new product, LVDS assembly for notebook use due to its higher technical requirements involved and profit margin. Beginning from 2009, we have also started to manufacture and sell an increasing amount of FFC products. As a result, the percentage of revenue for our internal signal cable assembly contributed by LVDS assembly increased from nil in 2007 to about 76.3% in 2008, 91.3% in 2009 and 83.3% in the first half of 2010, and the percentage of such revenue contributed by FFC increased from nil in 2007 and 2008, respectively, to about 4.8% in 2009 and 16.2% in the first half of 2010 whilst percentage of such revenue contributed by Harness product decreased from 100% in 2007 to about 23.7% in 2008, 3.9% in 2009 and 0.5% in the first half of 2010. Gross margin for LVDS assembly, FFC and harness product was 26.8%, 7.3% and 16.9% in 2009, respectively and 26.8%, 32.7% and 12.1% in the first half of 2010, respectively. Therefore, any change in our product mix could affect our financial condition and results of operations.

Pricing

Competition, demand and the price of copper materials affect the pricing of our products. According to Frost & Sullivan, the cable assembly and connector related product markets are highly competitive and success primarily depends on ability to provide quality products that continuously meet the stringent requirements of customers, competitive pricing and excellent customer service. In addition, our pricing is determined to a large extent by the price of copper materials we use in our production as we are generally able to pass on cost increases of copper to our customers by increasing selling prices of our products, and also in the event that the cost of copper decreases, such decrease would also be reflected in the reduced price of our products for the benefit of our customers. Such adjustment to selling price linked to the prices of copper is normal market practice in our industry and its terms are stated explicitly in sale contracts we enter into with our customers.

Taxation

Our operating results will be affected by changes in tax rates, particularly the applicable tax rates in the PRC as we carry out most of our business and derive most of our revenue and profits from the PRC. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our effective tax rate was approximately 3.6%, 17.5%, 8.4% and 10.5%, respectively.

The following table sets forth the applicable tax rates to our subsidiaries in the PRC for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	(%)	(%)	(%)	(%)
Weihai Electronic	10.0	15.0	15.0	15.0
Weihai Cable	7.5	9.0	10.0	22.0
Changshu Electronic	33.0	—	—	12.5
Changshu Cable	—	—	12.5	12.5
Changshu Connecting-Technology	33.0	—	—	12.5
Dezhou Electronic	—	—	12.5	12.5
Wuhan Electronic	—	—	10.0	11.0
Dongguan Electronic	33.0	25.0	N/A	N/A
Changshu Huarui	N/A	N/A	25.0	25.0
Shenzhen Communication Technology	N/A	N/A	25.0	25.0

Prior to 1 January 2008, the normal statutory income tax rate for enterprises in the PRC was 33%. However, the PRC government provided various favorable tax treatments for foreign-invested enterprises, including the tax exemption for the two years (commencing from its first profit-making year) and the 50% reduction in tax rate for another three years thereafter. Under the new PRC Enterprise Income Tax Law, which became effective on 1 January 2008, foreign-invested enterprises and domestic companies are subject to a uniform income tax rate of 25%. The new tax law provides a five-year transition period starting from its effective date for those enterprises which were established prior to the passing of the new tax law and which were entitled to a preferential lower income tax rate under the then effective tax laws and regulations. In addition, according to the new tax law, entities that qualify as "advanced technology enterprises" may continue to benefit from a reduced tax rate of 15%. The statutory tax rates applicable to some of our subsidiaries in the PRC during the Track Record Period represented favorable tax rates granted by the PRC government. Some of such favorable treatments are expected to continue to be available to certain of our PRC subsidiaries in the future based on the current PRC government tax policies. See note 13 to the "Accountants' Report" in Appendix I to this document for further details. However, there can be no assurance that the current favorable tax policies available will continue to be available upon expiration.

Seasonality

Our operating results are affected by the seasonality of the orders we receive. In general, we generate more revenue in the second half of every year as many of our customers in the consumer electronics industry generally increase their orders to prepare for pre-Christmas holiday sales of their products and we typically experience relatively lower customers' purchase orders during the months of May to July each year, primarily because our customers in the consumer electronics industry generally have a decreased level of production activities during the summer due to the lack of major holiday seasons such as Chinese New Year and Christmas around that time of the year which tend to drive customer spending on electronic products, and consumer electronics product manufacturers therefore tend to reduce their orders for supplies accordingly. For example, for the year ended 31 December 2009, 42.0% and 58.0% of our total revenue was recognized in the first half and second half of 2009 respectively, with the sales in the months of May to July contributing on average 7.2% as compared to a monthly average of 8.3% in 2009.

CRITICAL ACCOUNTING POLICIES

The discussion and analysis of our operating results and financial condition are based on our consolidated financial information, which has been prepared in accordance with IFRS. Our operating results and financial condition are sensitive to accounting methods, assumptions and estimates. The assumptions and estimates are based on our historical experience and various other factors, including management's expectations of future events which they believe to be reasonable. Actual results may differ from these estimates and assumptions.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of these policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our consolidated financial information. Our significant accounting policies are summarized in note 4 to our consolidated financial information in "Appendix I — Accountants' Report" in this document. We believe that the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the consolidated financial information.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognized when goods are delivered and title has passed. Service income is recognized when the services are provided. Interest income from a financial asset, other than a financial asset at fair value through profit or loss, is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Estimated Impairment of Inventories

We assess periodically if the inventories have been suffered from any impairment in accordance with our accounting policy as stated in note 4 to our consolidated financial information in "Appendix I — Accountants' Report" in this document. The amount of the impairment loss is measured as the difference between inventories' cost and net realizable values.

The identification of impairment of inventories requires the use of judgment and estimates of expected net realizable value. Where the actual net realizable value are different from the original estimate, a material impairment loss may arise. Our Directors are satisfied that this risk is minimal and adequate allowance for obsolete and slow moving inventories was provided during the Track Record Period.

Estimated Impairment of Trade and Other Receivables

As explained in note 4 to our consolidated financial information in "Appendix I-Accountants' Report" in this document, trade and other receivables are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method less impairment. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The Group does not require collateral or other security against its trade and other receivables. The Group performs ongoing evaluation of the financial conditions of the Group's trade and other receivables and when the balances would not be settled as expected, the Group would impair the balances and make necessary provision for such trade and other receivables.

The identification of bad and doubtful debts on trade and other receivables requires the use of judgment and estimates of expected future cash inflows. Where the actual future cash flows are less than expected, a material impairment loss may arise. Our Directors are satisfied that this risk is minimal and adequate allowance for doubtful debts was provided during the Track Record Period.

Property, Plant and Equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses. Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss in the year in which the item is derecognized.

Useful Life and Residual Value of Property, Plant and Equipment

Our management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of plant and equipment of similar nature and functions and may vary significantly as a result of technical innovation and keen competition from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

Revenue represents the net amounts received and receivable for sales of our signal cable assembly, wire & cable and connector products to our customers. We mainly derive our revenue from the manufacture and sale of a broad line of cable and connector products that are used mainly by our customers in the consumer electronics industry. Our products consist primarily of five product groups, namely, external signal cable assembly, internal signal cable assembly, power cord assembly, wire & cable (primarily for signal transmission purpose) and connectors. We have also developed and started manufacturing of wireless antenna products for signal transmission use in notebooks, routers and mobile handsets in 2010. In addition, we plan to expand our product offerings to include automotive wiring harness, specialty power cables, solar connectors and environmentally friendly low smoke halogen-free insulating materials. See "Business — Our Products".

The following table sets forth a breakdown of our revenue by product type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000) (Unaudited)	% of revenue (Unaudited)	Revenue (RMB'000)	% of revenue
External signal cable assembly	314,932	48.2	427,241	47.6	322,490	37.1	159,799	43.6	160,359	25.2
Internal signal cable assembly	72,281	11.1	83,941	9.3	126,630	14.5	42,735	11.7	137,354	21.6
Power cord assembly	59,726	9.2	115,284	12.8	170,156	19.5	69,819	19.0	112,810	17.8
Wire & cable	142,218	21.8	173,446	19.3	172,069	19.7	64,374	17.6	153,212	24.1
Connectors	1,441	0.2	23,086	2.6	36,145	4.1	16,752	4.6	20,376	3.2
Others	62,030	9.5	75,001	8.4	44,906	5.1	13,087	3.5	51,569	8.1
Total:	**652,628**	**100.0**	**897,999**	**100.0**	**872,396**	**100.0**	**366,566**	**100.0**	**635,680**	**100.0**

Our revenue amounted to RMB652.6 million, RMB898.0 million and RMB872.4 million for the years ended 31 December 2007, 2008 and 2009, respectively. The significant increase in revenue in 2008 as compared to 2007 was primarily due to an increase in sales volume in 2008 as our sales volume increased in the first three quarters of 2008 which more than offset the adverse effect of the global economic downturn in late 2008, which resulted in a significant decrease in customer purchase orders in the fourth quarter of 2008. The decrease in revenue in 2009 as compared to 2008 was primarily due to an overall decrease in average unit selling prices of our products mainly as a result of lower average copper price in 2009 as compared to 2008, which was partially offset by an overall increase in sales volume of our products as we increased production to meet customer demand while the global economy started to recover in 2009.

For the six months ended 30 June 2009 and 2010, our revenue amounted to RMB366.6 million and RMB635.7 million, respectively. The significant increase in revenue in the first half of 2010 as compared to the first half of 2009 was primarily due to overall increase in customer demands, growing customer base and our expansion in production as the general economy grew at a relatively faster pace during the first half of 2010 as compared to the first half of 2009 during which customer demands were lower as the economy just started to recover from the economic downturn and the growth of the consumer electronics industry was relatively slower.

The following table sets forth a breakdown of the revenue of our external signal cable assembly product type for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000) (Unaudited)	% of revenue (Unaudited)	Revenue (RMB'000)	% of revenue
RGB assembly . . .	204,764	65.0	214,999	50.4	156,223	48.4	76,354	47.8	82,604	51.5
DVI assembly . . .	79,559	25.3	92,316	21.6	76,313	23.7	39,726	24.9	40,575	25.3
HDMI assembly . . .	—		183	—	854	0.3	481	0.3	472	0.3
USB assembly . . .	11,415	3.6	76,050	17.8	64,622	20.0	24,938	15.6	26,342	16.4
DC assembly . .	19,194	6.1	43,693	10.2	24,478	7.6	18,300	11.4	10,366	6.5
	314,932	100.0	427,241	100.0	322,490	100.0	159,799	100.0	160,359	100.0

For the years ended 31 December 2007, 2008 and 2009, sales of external signal cable assembly products amounted to approximately RMB314.9 million, RMB427.2 million and RMB322.5 million, accounting for 48.2%, 47.6% and 37.1% of total revenue, respectively. The increase in sales of external cable assembly products in 2008 as compared to 2007 was primarily due to an approximately 39.3% increase in sales volume of our external signal cable assembly products. The decrease in sales of external signal cable assembly products in 2009 as compared to 2008 was primarily due to a decrease in average unit selling price primarily as a result of the lower average copper prices in 2009 while the sales volume increased by approximately 1.5% between 2008 and 2009. Sales of external signal cable assembly products, as a percentage of total revenue, decreased in 2009 as compared to 2008, primarily because sales volume of our external signal cable assembly products remained relatively stable, whereas there was an overall increase in sales volume of our other product groups, such as internal signal cable assembly and connector products, over the same periods.

For the six months ended 30 June 2009 and 2010, sales of external signal cable assembly products amounted to approximately RMB159.8 million and RMB160.4 million, accounting for 43.6% and 25.2% of total revenue, respectively. The increase in sales of external signal cable assembly products in the first half of 2010 as compared to the first half of 2009 was primarily due to an approximately 1.7% increase in sales volume of our external signal cable assembly products in the first half of 2010 as customer demands for our RGB and USB assembly products in particular grew, which was partially offset by a decrease in average unit selling price, in particular, our USB assembly products, mainly as a result of the reduction in the average length of USB assembly products that we sold in the first half of 2010 pursuant to product requirements as requested by our customers in general. Sales of external signal cable assembly products, as a percentage of total revenue, decreased significantly in the first half of 2010 as compared to the first half of 2009, primarily because sales of our external signal cable assembly products remained relatively stable whereas sales of our key product groups, namely internal signal cable assembly, power cord assembly, and wire & cable, increased significantly.

Of all our product groups, external signal cable assembly was the largest contributor to our total revenue during the Track Record Period. Sales of our external signal cable assembly products were derived from the sales of our RGB assembly, DVI assembly, HDMI assembly, USB assembly, and DC assembly products. A large portion of the sales of our external signal cable assembly products was attributable to RGB and DVI assembly products during the Track Record Period. As a relatively mature product, sales volumes of both RGB and DVI assembly products remained fairly constant during the three year period ended 31 December 2009 while sales volume of RGB assembly increased by 15.6% in the first half of 2010 as compared to the first half of 2009 due to increased customer demand. Sales of our USB assembly products increased significantly from about RMB11.4 million for the year ended 31 December 2007 to about RMB64.6 million for the year ended 31 December 2009 as we increased our sales effort in USB assembly products and sales volume increased by a CAGR of approximately 384.7% between 2007 and 2009. Sales of our USB assembly products amounted to about RMB26.3 million in the first half of 2010 as compared to about RMB24.9 million in the first half of 2009. In 2008, we started to make strategic changes to our external signal cable assembly product mix by starting to manufacture and sell HDMI assembly products. HDMI assembly is a relatively new product with higher technical requirements and as it can transmit both video and audio signals and possesses stronger transmission functions compared with RGB and DVI assembly, its usage has become increasingly popular in the consumer electronics industry. Revenue attributable to HDMI assembly products increased from about RMB0.2 million for the year ended 31 December 2008 to about RMB0.9 million for the year ended 31 December 2009. Sales of our HDMI assembly products amounted to about RMB0.5 million both in the first half of 2009 and 2010. We expect that revenue attributable to the sales of HDMI assembly would generally constitute an increasing proportion of our external signal cable assembly sales in the future if more of our customers increasingly source HDMI assembly to be sold together (as a package) with their consumer electronic products to their end customers.

The following table sets forth a breakdown of the revenue of our internal signal cable assembly products for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000) (Unaudited)	% of revenue (Unaudited)	Revenue (RMB'000)	% of revenue
LVDS	—	—	64,050	76.3	115,587	91.3	38,395	89.8	114,443	83.3
Harness	72,281	100.0	19,891	23.7	4,983	3.9	4,071	9.5	651	0.5
Flexible Flat Cable (FFC)	—	—	—	—	6,060	4.8	269	0.7	22,260	16.2
	72,281	100.0	83,941	100.0	126,630	100.0	42,735	100.0	137,354	100.0

Sales of our internal signal cable assembly products were attributable primarily to our LVDS cable and harness products during the Track Record Period. For the years ended 31 December 2007, 2008 and 2009, sales of internal signal cable assembly products amounted to RMB72.3 million, RMB83.9 million and RMB126.6 million, accounting for 11.1%, 9.3% and 14.5% of total revenue, respectively. For the six months ended 30 June 2009 and 2010, sales of internal signal cable assembly products amounted to approximately RMB42.7 million and RMB137.4 million, accounting for 11.7% and 21.6% of total revenue, respectively. Our internal signal cable assembly products witnessed a significant change of product mix during the Track Record Period. Sale of internal signal cable assembly in 2007 related mostly to sale of harness products for internal signal transmission purpose for use in household appliances ("Harness") and sales volume of such Harness decreased by approximately 93.2% between 2007 and 2009 as we made a strategic business decision to focus on the production and sale of LVDS assembly for notebook use due to its higher technical requirements and profit margin. Beginning from 2009, we have also started to manufacture and sell an increasing amount of FFC products. Since we started the sale of LVDS assembly in 2008, sales volume of LVDS assembly increased by approximately 85.0% between 2008 and 2009, accounting for 76.3% and 91.3% of total internal signal cable assembly revenue for the years ended 31 December 2008 and 2009, respectively. As for FFC product which we started to manufacture and sell in the first half of 2009, sales volume increased by 669.4% in the first half of 2010 as compared to the whole year of 2009 and the sales of our FFC products accounted for about 4.8% and 16.2% of total internal signal cable revenue for the year ended 31 December 2009 and the six months ended 30 June 2010, respectively. Sales volume of LVDS assembly increased by 53.0% between the first half of 2009 and the corresponding period in 2010, accounting for 89.8% and 83.3% of total internal signal cable assembly revenue for the six months ended 30 June 2009 and 2010, respectively. The decrease in the percentage contribution of LVDS to total internal signal cable assembly revenue in the first half of 2010 was due primarily to the increased sales of our FFC products.

The increase in sales of internal signal cable assembly products in 2008 as compared to 2007 was due primarily to an increase of approximately 11.6% in sales volume of our internal signal cable assembly products as our sales of notebook LVDS assembly more than offset the decrease in sales of Harness products. The increase in sales of internal signal cable assembly products in 2009 as compared to 2008 was due primarily to the increase in sales volume of our LVDS assembly for notebook use, which was partially offset by a decrease in average unit selling price. Notwithstanding the fluctuation in copper prices, the average unit selling price of our internal signal cable products remained stable over 2008 and 2009, primarily because we focused on production and sales of LVDS assembly for notebook in 2009 which has a relatively higher unit selling price and profit margin, and the proportion of sales relating to Harness further decreased in 2009. The increase in sales of internal signal cable assembly products in the first half of 2010 as compared to the first half of 2009 was due primarily to (i) an increase of approximately 71.0% sales volume of our internal signal cable products mainly as a result of the increased purchase orders and customer base for our LVDS products while the revenue contribution of FFC products was for a six month period in the first half of 2010 as compared to one month in the first half of 2009 as we started the commercial production of FFC products late in the first half of 2009 and (ii) an increase in the average unit selling prices of our internal signal cable products as we continued to reduce the production and sales of Harness product with lower selling price and also as a result of an overall increase in our selling price due to the increase in the average copper price in the first half of 2010 as compared to the first half of 2009.

For the years ended 31 December 2007, 2008 and 2009, sales of power cord assembly products amounted to RMB59.7 million, RMB115.3 million and RMB170.2 million, accounting for 9.2%, 12.8% and 19.5% of total revenue, respectively. Sales volume of our power cord assembly products increased significantly over the three-year period as we expanded our customer base especially in the computers and information-technology related products sector and as we obtained the safety certifications from the relevant regulatory authorities of an increasing number of countries and other jurisdictions. Sales volume increased by approximately 67.1% between 2007 and 2008 and approximately 110.6% between 2008 and 2009. The average unit selling price of our power cord assembly products fluctuated over the three-year period ended 31 December 2009 generally in line with the fluctuation of copper prices during the same period. For the six months ended 30 June 2009 and 2010, sales of power cord assembly products amounted to RMB69.8 million and RMB112.8 million, accounting for 19.0% and 17.8% of total revenue, respectively. The increase in sales of our power cord assembly products in the first half of 2010 was due primarily to an approximately 89.5% increase in sales volume mainly as a result of increased customer purchase orders and expanded customer base for our power cord assembly products, which was partially offset by a decrease in average unit selling price mainly as a result of the reduction in the average length of power cord assembly products that we sold in the first half of 2010 pursuant to product requirements as requested by our customers in general.

The following table sets forth a breakdown of the revenue of our wire & cable products for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000) (Unaudited)	% of revenue (Unaudited)	Revenue (RMB'000)	% of revenue
Communication cable	2,171	1.5	2,896	1. 7	2,952	1.7	2,534	3.9	1,754	1.2
Consumer electronic cable	114,847	80.8	132,872	76.6	119,776	69.6	45,768	71.1	107,869	70.4
Automotive cable	1,121	0.8	1,504	0.9	3,613	2.1	860	1.3	7,525	4.9
Power cable	13,863	9.7	24,011	13.8	35,472	20.6	8,912	13.8	28,205	18.4
Others	10,216	7.2	12,163	7.0	10,256	6.0	6,300	9.9	7,859	5.1
	142,218	100.0	173,446	100.0	172,069	100.0	64,374	100.0	153,212	100.0

For the years ended 31 December 2007, 2008 and 2009, sales of our wire & cable products amounted to RMB142.2 million, RMB173.4 million and RMB172.1 million, accounting for 21.8%, 19.3% and 19.7% of total revenue, respectively. For the six months ended 30 June 2009 and 2010, sales of our wire & cable products amounted to RMB64.4 million and RMB153.2 million, accounting for 17.6% and 24.1% of total revenue, respectively. Sales of our wire & cable products were attributable primarily to our consumer electronic cables during the Track Record Period, with sales volume increasing by approximately 2.6% between 2007 and 2008, approximately 3.0% between 2008 and 2009, and approximately 87.0% between the first half of 2009 and the corresponding period in 2010. The increase in sales of our wire & cable products in 2008 as compared to 2007 was primarily due to increases in sales of consume electronic cable and power cable. The increase in sales of our wire & cable products in 2009 as compared to 2008 was primarily due to an increase in sales volume of our wire & cable products, which was partially offset by a decrease in average unit selling price mainly as a result of the lower average copper price in 2009. The increase in sales of our wire & cable products in the first half of 2010 as compared to the first half of 2009 was primarily due to (i) an increase in sales volume of our wire & cable products as we increased production in response to the increased customer demands and expanded customer base for our wire & cable products mainly as a result of the relatively improved economic environment in the first half of 2010, and (ii) increased average unit selling price of such products mainly as a result of the higher average copper price in the first half of 2010. Overall sales volume of our wire & cable products increased during the Track Record Period, increasing by approximately 6.1% between 2007 and 2008, approximately 16.7% between 2008 and 2009, and approximately 91.9% between the first half of 2009 and the corresponding period in 2010. In terms of product mix, we are committed to roll out new signal transmission wire & cable products. For example, in 2008 we developed, manufactured and sold new types of communication cable and consumer electronic cable, such as interconnect pair cable and high speed interface signal cable (1394), respectively.

For the years ended 31 December 2007, 2008 and 2009, sales of our connector products amounted to RMB1.4 million, RMB23.1 million and RMB36.1 million, accounting for 0.2%, 2.6% and 4.1% of total revenue, respectively. Sales volume of our connector products grew throughout the three-year period, increasing by about 22-fold between 2007 and 2008 and approximately 42.3% between 2008 and 2009. Such increase was primarily due to the recruitment of a team in 2008 that specialize in the research, development and production of connector products and because we ramped up production as we were able to roll out new type of board-side connector products to the market and expand our customer base due to the new expertise in place. For the six months ended 30 June 2009 and 2010, sales of our connector products amounted to RMB16.8 million and RMB20.4 million, accounting for 4.6% and 3.2% of total revenue, respectively. Sales of connector products increased in the first half of 2010 notwithstanding an approximately 33.6% decrease in sales volume during the period primarily because we were able to increase the average selling price of our connector products as we increased the production and sales of connectors with higher selling price and margin, such as D SUB connectors, in the first half of 2010 as compared to a higher proportion of DVI and USB connector products with lower selling price and margin in the first half of 2009.

Others consist of sales of various products, including customized wiring products for a home appliance producer customer, keyboard assembly, components for integrated personal computers, wireless antennas for routers and mobile handsets, and other materials. Sales of such other products amounted to approximately RMB62.0 million, RMB75.0 million and RMB44.9 million for the years ended 31 December 2007, 2008 and 2009, respectively. For the six months ended 30 June 2009 and 2010, sales of our other products amounted to RMB13.1 million and RMB51.6 million, respectively. Sales of our other products increased significantly in the first half of 2010 primarily due to the revenue contribution by a number of miscellaneous products, including aluminum and iron plates for computer keyboard which we started to manufacture and sell from the second half of 2009, and wireless antennas products which we started to manufacture and sell from the first half of 2010, while there was no such revenue contribution in the first half of 2009.

Most of our customers are international leading brand name and non-brand name equipment manufacturers in the global consumer electronics industry, including Samsung, LG, Eastman Kodak, Amphenol, Haier, Hisense, Quanta, Compal, Qisda, TPV Technology, Wistron, Innolux, ZTE and Inventec. Most of our customers have their procurement units and/or manufacturing facilities based in China and depending on our customers' preferences and requirements, we would enter into sales contract with their Chinese subsidiaries and deliver our products to their manufacturing facilities based in China. The following table sets forth, for the periods indicated, an analysis of our revenue by geographical location of the entities to which we issued invoices, irrespective of the headquarter of our end customers or the final destination of the goods:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000)	% of revenue	Revenue (RMB'000) (Unaudited)	% of revenue (Unaudited)	Revenue (RMB'000)	% of revenue
China, not including Hong Kong	474,877	72.8	636,776	70.9	643,096	73.7	257,430	70.2	508,117	79.9
Korea	138,168	21.2	136,849	15.2	115,827	13.3	72,472	19.8	105,238	16.6
Hong Kong	—	—	70,076	7.8	53,924	6.2	12,374	3.4	4,442	0.7
Other countries and areas	39,583	6.0	54,298	6.1	59,549	6.8	24,290	6.6	17,883	2.8
Total:	**652,628**	**100.0**	**897,999**	**100.0**	**872,396**	**100.0**	**366,566**	**100.0**	**635,680**	**100.0**

For further discussion of period-by-period comparison of our revenues, see "— Results of Operations".

Cost of Sales

Cost of sales includes primarily raw material costs, labor costs, depreciation, utilities, outsourcing costs and others.

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

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000 (Unaudited)	% of total cost of sales (Unaudited)	RMB'000	% of total cost of sales
External signal cable assembly	242,016	46.8	340,876	47.1	248,261	36.8	122,554	43.2	123,756	25.2
Internal signal cable assembly	59,431	11.5	62,712	8.7	94,322	14.0	30,642	10.8	99,315	20.2
Power cord assembly	48,861	9.4	97,380	13.5	138,387	20.5	56,989	20.1	92,948	18.9
Wire & cable	113,990	22.0	138,713	19.2	126,013	18.7	48,398	17.1	123,047	25.0
Connectors	1,324	0.3	19,607	2.7	26,274	3.9	13,290	4.7	14,134	2.9
Others	51,661	10.0	63,923	8.8	41,165	6.1	11,892	4.1	38,506	7.8
Total:	**517,283**	**100.0**	**723,211**	**100.0**	**674,422**	**100.0**	**283,765**	**100.0**	**491,706**	**100.0**

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

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000	% of total cost of sales	RMB'000 (Unaudited)	% of total cost of sales (Unaudited)	RMB'000	% of total cost of sales
Raw material costs	430,475	83.2	610,450	84.4	529,909	78.6	217,701	76.7	370,503	75.4
Utilities	7,023	1.4	10,887	1.5	11,228	1.7	5,036	1.8	9,389	1.9
Depreciation	6,390	1.2	12,836	1.8	20,574	3.1	9,422	3.3	12,388	2.5
Labor costs(1)	60,493	11.7	65,863	9.1	68,833	10.2	30,894	10.9	56,451	11.5
Outsourcing costs	8,331	1.6	16,895	2.3	33,227	4.9	11,987	4.2	29,417	6.0
Others	4,571	0.9	6,280	0.9	10,651	1.5	8,725	3.1	13,558	2.7
Total:	**517,283**	**100.0**	**723,211**	**100.0**	**674,422**	**100.0**	**283,765**	**100.0**	**491,706**	**100.0**

Note:
(1) Labor costs were attributable to both our employees and contract workers. See "Business — Employees."

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

	For the year ended 31 December						For the six months ended 31 December			
	2007		2008		2009		2009		2010	
	RMB'000	% of total labor costs	RMB'000	% of total labor costs	RMB'000	% of total labor costs	RMB'000 (Unaudited)	% of total labor costs (Unaudited)	RMB'000	% of total labor costs
Employees	40,260	66.6	41,763	63.4	47,005	68.3	22,960	74.3	20,118	35.6
Contract workers	20,233	33.4	24,100	36.6	21,828	31.7	7,934	25.7	36,333	64.4
Total:	**60,493**	**100.0**	**65,863**	**100.0**	**68,833**	**100.0**	**30,894**	**100.0**	**56,451**	**100.0**

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

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	% of raw material costs	RMB'000	% of raw material costs	RMB'000	% of raw material costs	RMB'000 (Unaudited)	% of raw material costs (Unaudited)	RMB'000	% of raw material costs
Copper materials	274,867	63.9	364,439	59.7	306,287	57.8	114,075	52.4	214,521	57.9
Plastic materials	83,650	19.4	100,724	16.5	86,375	16.3	40,275	18.5	53,352	14.4
Iron materials	9,433	2.2	38,458	6.3	28,085	5.3	13,715	6.3	8,522	2.3
Others	62,525	14.5	106,829	17.5	109,162	20.6	49,636	22.8	94,108	25.4
Total:	**430,475**	**100.0**	**610,450**	**100.0**	**529,909**	**100.0**	**217,701**	**100.0**	**370,503**	**100.0**

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our cost of sales were approximately RMB517.3 million, RMB723.2 million, RMB674.4 million and RMB491.7 million, or approximately 79.3%, 80.5%, 77.3% and 77.4% of our revenue, respectively. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, raw material costs were the largest component and accounted for approximately 83.2%, 84.4%, 78.6% and 75.4%, respectively, of the total cost of sales. Copper materials constituted the largest component of our raw material costs and accounted for 63.9%, 59.7%, 57.8% and 57.9% of total raw material costs for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. The fluctuation of our raw material costs, as a percentage of total cost of sales, during the

Track Record Period was primarily due to changes in price and volume of copper materials we acquired and used for our products. Labor costs, depreciation, utilities costs and outsourcing costs increased generally in line with our increased production and related capacity expansion.

Gross Profit

The following table sets forth the gross profit and gross profit margins for each of our product groups for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000) (Unaudited)	Gross margin (%) (Unaudited)	Gross profit (RMB'000)	Gross margin (%)
External signal cable assembly	72,916	23.2	86,365	20.2	74,229	23.0	37,245	23.3	36,603	22.8
Internal signal cable assembly	12,850	17.8	21,229	25.3	32,308	25.5	12,093	28.3	38,039	27.7
Power cord assembly	10,865	18.2	17,904	15.5	31,769	18.7	12,830	18.4	19,862	17.6
Wire & cable	28,228	19.8	34,733	20.0	46,056	26.8	15,976	24.8	30,165	19.7
Connectors	117	8.1	3,479	15.1	9,871	27.3	3,462	20.7	6,242	30.6
Others	10,369	16.7	11,078	14.8	3,741	8.3	1,195	9.1	13,063	25.3
Total:	**135,345**	**20.7**	**174,788**	**19.5**	**197,974**	**22.7**	**82,801**	**22.6**	**143,974**	**22.6**

For the years ended 31 December 2007, 2008 and 2009, the gross profit amounted to RMB135.3 million, RMB174.8 million and RMB198.0 million, respectively, while the gross profit margin was 20.7%, 19.5% and 22.7% for the same periods, respectively. For the six months ended 30 June 2009 and 2010, the gross profit amounted to RMB82.8 million and RMB144.0 million, respectively, while the gross profit margin remained relatively stable at 22.6% for the same periods. Our gross profit margin decreased in 2008 as compared to 2007 primarily because we experienced a decrease in customer orders in the fourth quarter of 2008 mainly as a result of the global economic downturn. Accordingly, fixed production costs as a percentage of revenue increased leading to the lower gross profit margin. The overall profit margins of our external signal cable assembly and power cord products decreased in 2008 as compared to 2007 while the profit margins of our other product types, such as internal signal cable assembly and wire & cable, increased or remained stable as we continuously adjusted our product mix to focus on higher margin products, such as notebook LVDS assembly and consumer electronic cables in our internal signal cable assembly type and wire & cable product type, respectively. Our gross profit margin increased in 2009 as compared to 2008 primarily because (i) the profit margins of all key product types generally increased as the global economy and market demand started to recover; (ii) the proportion of revenue contributed by higher margin products increased as we continued to focus on expanding the production of high margin products and the launching of innovative and other new products with high margins, such as high speed data communication and consumer electronic cables, while also improving the margins of our other mature products through the enhancement of product processing techniques; and (iii) we achieved cost savings in better managing copper procurement and inventory as we managed to purchase copper supplies at a time when the copper price is relatively lower through combined effort of our procurement department and the Futures Transaction Working Group (set up in 2009) in keeping close watch on the trends of copper price changes. In 2009, the monthly average price of our copper materials amounted to RMB33,960 per tonne, as compared to the average monthly copper price of RMB42,691 per tonne on the SHFE in that year.

The following table sets forth the gross profit and gross profit margins of our external signal cable assembly products for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000) (Unaudited)	Gross margin (%) (Unaudited)	Gross profit (RMB'000)	Gross margin (%)
RGB assembly	42,765	20.9	36,519	17.0	31,774	20.3	15,979	20.9	18,189	22.0
DVI assembly	20,796	26.1	20,389	22.1	19,583	25.7	10,009	25.2	9,446	23.3
HDMI assembly	—	—	48	26.2	290	34.0	153	31.7	125	26.4
USB assembly	3,038	26.6	17,687	23.3	15,964	24.7	5,775	23.2	5,912	22.4
DC assembly	6,317	32.9	11,722	26.8	6,618	27.0	5,329	29.1	2,931	28.3
Total:	**72,916**	**23.2**	**86,365**	**20.2**	**74,229**	**23.0**	**37,245**	**23.3**	**36,603**	**22.8**

The overall profit margin of our external signal cable assembly products decreased from 23.2% in 2007 to 20.2% in 2008, primarily due to the adverse impact of the global economic downturn on our customer purchase orders in the fourth quarter of 2008. Such profit margin increased to 23.0% in 2009 as the global economy and market demand started to recover. The overall profit margin of our external signal cable assembly products decreased from 23.3% in the first half of 2009 to 22.8% in the first half of 2010 primarily due to the decrease in profit margins of our DVI, HDMI, USB and DC assembly as we priced our external signal cable assembly products more competitively as part of our pricing and marketing strategies in order to gain more market share as the global economy, in particular, the consumer electronics industry, continued to recover while the profit margin of our RGB assembly increased slightly due to the efficiency achieved from increased production scale and enhancements in manufacturing processing techniques.

The following table sets forth the gross profit and gross profit margins of our internal cable assembly products for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000) (Unaudited)	Gross margin (%) (Unaudited)	Gross profit (RMB'000)	Gross margin (%)
LVDS	—	—	18,350	28.6	31,022	26.8	11,358	29.6	30,684	26.8
Harness	12,850	17.8	2,879	14.5	841	16.9	652	16.0	79	12.1
Flexible Flat Cable (FFC)	—	—	—	—	445	7.3	83	30.9	7,276	32.7
Total:	**12,850**	**17.8**	**21,229**	**25.3**	**32,308**	**25.5**	**12,093**	**28.3**	**38,039**	**27.7**

The overall profit margin of our internal signal cable assembly products increased from 17.8% in 2007 to 25.3% in 2008 and further to 25.5% in 2009, primarily because we increased the production and sales of higher margin LVDS assembly for notebook while at the same time reducing the production and sales of lower margin Harness. The overall profit margin of our internal signal cable assembly products decreased from 28.3% in the first half of 2009 to 27.7% in the first half of 2010.

The decrease in profit margin of our internal signal cable assembly products was primarily due to the increased labor costs we incurred in the first half of 2010 as we, in anticipation of increased customer demand in the second half of 2010, started to hire a significant number of production personnel (including contract workers) for trainings since April 2010 in preparation of planned expansion in production of such products in the second half of the year.

The following table sets forth the gross profit and gross profit margins of our wire & cable products for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000)	Gross margin (%)	Gross profit (RMB'000) (Unaudited)	Gross margin (%) (Unaudited)	Gross profit (RMB'000)	Gross margin (%)
Communication cable	735	33.9	941	32.5	1,260	42.7	1,023	40.4	637	36.3
Consumer electronic cable	22,996	20.0	27,887	21.0	34,291	28.6	11,309	24.7	22,817	21.2
Automotive cable	110	9.8	196	13.0	554	15.3	78	9.1	681	9.0
Power cable	1,857	13.4	2,997	12.5	6,222	17.5	1,715	19.2	4,366	15.5
Others	2,530	24.8	2,712	22.3	3,729	36.4	1,851	29.3	1,664	21.2
Total:	**28,228**	**19.8**	**34,733**	**20.0**	**46,056**	**26.8**	**15,976**	**24.8**	**30,165**	**19.7**

The overall profit margin of our wire & cable products increased from 19.8% in 2007 to 20.0% in 2008 and further to 26.8% in 2009 primarily due to (i) the cost savings achieved in better managing copper procurement and inventory and (ii) the launch and increased production and sales of innovative and other new products with high margin, such as high speed data communication and consumer electronic cables. The overall profit margin of our wire & cable products was 19.7% in the first half of 2010 as compared to 24.8% in the first half of 2009 as we priced our external signal cable assembly products more competitively as part of our pricing and marketing strategies in order to gain more market share as the global economy, in particular, the consumer electronics industry, continued to recover.

In general, in addition to the global economic conditions, changes in profit margins of various product types are primarily affected by the proportion of the revenue contribution of higher margin products, the launch and increase in production of new products, the improvement in production processing technologies, and our management of copper procurement and inventory.

In addition, the overall profit margin of our other products was 16.7%, 14.8%, 8.3%, 9.1% and 25.3% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010. The profit margin of our other products decreased significantly in 2009 as compared to 2007 and 2008 primarily because we reduced the production of the customized wiring products in our production facilities in Weihai to focus on production of external signal cable assembly and power cord assembly products and incurred higher fixed unit costs for the customized wiring products associated with the initial phase of such change of product mix. The profit margin of our other products increased significantly in the first half of 2010 as compared to the first half of 2009 primarily because the aluminum and iron plates for computer keyboard and wireless antenna products, the manufacture and sale of which we started from the second half of 2009 and the first half of 2010, respectively, and which accounted for a significant portion of the revenues for our other products in the first half of 2010, had relatively higher selling prices and margins.

Other Gains and Losses

Other gains and losses consisted primarily of government grants, investment loss or gain in respect of derivative financial instruments, interest income, gain on disposal of a patent, gains on disposals of subsidiaries, foreign exchange losses or gains, impairment loss in respect of interest in an associate and loss on disposal of property, plant and equipment.

The following table sets forth the breakdown of our other gains and losses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants	10,609	1,119	1,360	747	939
Changes in fair value of derivative financial instruments	—	(4,637)	3,029	1,106	(1,752)
Interest income	368	503	455	310	138
Gain on disposal of technology know-how	—	—	4,500	—	—
Gains on disposal of Dongguan Electronic	—	3,311	—	—	—
Net foreign exchange gains (losses)	150	(1,421)	(457)	(239)	(1,208)
Impairment loss in respect of interest in an associate	—	(1,210)	—	—	—
Losses on disposals of property, plant and equipment	(306)	(171)	(614)	(304)	(75)
Total:	**10,821**	**(2,506)**	**8,273**	**1,620**	**(1,958)**

Government grants we received during the Track Record Period are non-recurring government subsidies from the finance bureau of the Weihai Economic and Technological Development Zone and the committee of the Shandong Linyi Economic and Technological Development Zone as incentives for the business and technological development of our Group.

Our investment loss and gain in respect of derivative instrument was attributable to the loss and gain we realized as we close out our positions on copper futures contracts.

In 2009, we recognized RMB4.5 million of gain on disposal of a utility patent in respect of computer cable technology know-how, which has no application in our existing products or new products that we plan to manufacture and sell in the future, as we sold this patent to a third party.

In 2008, we disposed of our entire equity interests in Dongguan Electronic to United Metal and Yu Shun Rong (Shenzhen) for a total consideration of US$3.0 million and recognized gain on disposal of a subsidiary of RMB3.3 million.

Our foreign exchange gains or losses related primarily to our assets and liabilities denominated in foreign currency, primarily U.S. dollars, as their carrying amounts in RMB terms are affected by exchange rate between RMB and U.S. dollar or other relevant foreign currency. See "— Market Risks — Currency Risk".

Distribution and Selling Expenses

Our distribution and selling expenses consist primarily of salary expenses paid to our sales and marketing employees, customs registration expenses and business development, business entertainment, transportation expenses, travel and other expenses. Transportation expenses were primarily related to the expenses incur for transporting our products to a destination pursuant to our customers' delivery requirements. Customs registration expenses were primarily related to the expenses we incurred for customs registration and clearance for products to be exported to an overseas destinations.

The following table sets forth a breakdown of our distribution and selling expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Transportation expenses	5,968	7,550	8,334	3,501	5,743
Staff costs	2,417	2,490	3,109	1,374	1,998
Customs registration expenses	1,588	2,985	2,781	1,368	1,517
Business development expenses	1,422	2,011	1,988	908	725
Entertainment expenses	1,045	1,283	1,904	798	1,526
Travel expenses	335	331	542	239	495
Others	2,034	2,241	1,822	793	855
Total:	**14,809**	**18,891**	**20,480**	**8,981**	**12,859**

Distribution and selling expenses increased from RMB14.8 million in 2007 to RMB18.9 million in 2008 and further to RMB20.5 million in 2009, primarily due to increased marketing activities and transportation expenses generally in line with increases in sales volume and customers. As a percentage of total revenue, our distribution and selling expenses were 2.3%, 2.1% and 2.3% in 2007, 2008 and 2009, respectively. For the six months ended 30 June 2009 and 2010, our distribution and selling expenses amounted to RMB9.0 million and RMB12.9 million, respectively. The increase in distribution and selling expenses in the first half of 2010 was primarily due to increased marketing activities and transportation expenses generally in line with increases in our revenue. As a percentage of total revenue, our distribution and selling expenses were 2.5% and 2.0% in the first half of 2009 and 2010, respectively.

Administrative and General Expenses

Our general and administrative expenses consist primarily of salary expenses paid to our management and administrative personnel, amortization of employee share grants, maintenance of our administrative office, travel, depreciation of fixed assets and amortization of intangible assets, social welfare obligations, provision for doubtful debts, provision for impairment of inventories, audit and professional fees. Amortization of employee share grants was related to the shares granted to our employees pursuant our employee share scheme. See "History, Reorganization and Group Structure — Reorganization — D. Transfer by Chenlin International of the Employee Shares and the Minority Shareholders' Shares". Provision for doubtful debts was primarily related to the provision made for impairment of trade and other receivables. Provision for impairment of inventories was primarily related to the provision made for impairment of inventories.

The following table sets forth a breakdown of our administrative and general expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs	9,495	11,157	14,918	7,006	10,339
Amortization of employee share grants	—	1,787	7,147	3,573	3,573
Consumables	1,113	1,570	284	119	535
Depreciation of property, plant and equipment	2,605	4,018	3,342	2,300	2,179
Office expenses	1,352	1,867	3,576	2,055	2,207
Amortization of intangible assets	113	260	671	313	197
Release of prepaid lease payment	132	360	360	180	161
Provision for doubtful debt	272	4,636	7	431	478
Provision for impairment of inventories	—	4,483	1,334	137	—
Refurbishment expenses	1,149	681	879	380	855
Telecommunication expenses	644	720	732	355	383
Pre-operating expenses to be amortized	1,611	106	754	554	116
Other tax paid	5,383	2,031	1,610	589	674
Transportation expenses	1,706	2,606	3,088	1,149	2,828
Audit and other professional fees	11	2,062	5,656	1,659	1,082
Rental expenses	111	488	443	48	112
Bank charges	838	1,956	2,070	874	1,650
Others	4,380	4,634	1,107	560	1,670
Total:	**30,915**	**45,422**	**47,978**	**22,282**	**29,039**

Administrative and general expenses increased from RMB30.9 million in 2007 million to RMB45.4 million in 2008 and RMB48.0 million in 2009 generally in line with the expansion in our production and business operations. As a percentage of total revenue, our administrative and general expenses were 4.7%, 5.0% and 5.5% in 2007, 2008 and 2009, respectively. For the six months ended 30 June 2009 and 2010, our administrative and general expenses amounted to RMB22.3 million and RMB29.0 million, respectively. The increase in administrative and general expenses in 2010 was primarily due to increase in staff cost, office expenses and transportation cost which were generally in line with the expansion in our business operations. As a percentage of total revenue, our administrative and general expenses were 6.1% and 4.6% in the first half of 2009 and 2010, respectively.

Research and Development Expenses

Our research and development costs consist primarily of salary for our research and development personnel, expenses for raw materials and depreciation of research, development and testing equipment.

The following table sets forth a breakdown of our research and development expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff costs	8,344	11,114	6,422	4,320	4,517
Depreciation	2,657	3,116	2,855	1,405	1,153
Material costs	8,613	8,299	14,134	3,259	4,409
Others	3,538	3,751	3,867	3,228	2,656
Total:	**23,152**	**26,280**	**27,278**	**12,212**	**12,735**

Research and development expenses increased from RMB23.2 million in 2007 to RMB26.3 million in 2008 and RMB27.3 million in 2009. As a percentage of total revenue, our research and development expenses were 3.5%, 2.9% and 3.1% in 2007, 2008 and 2009, respectively. For the six months ended 30 June 2009 and 2010, our research and development expenses amounted to RMB12.2 million and RMB12.7 million, respectively. As a percentage of total revenue, our research and development expenses were 3.3% and 2.0% in the first half of 2009 and 2010, respectively.

Finance Cost

Our finance costs mainly represent interest expense on bank loans.

Income Tax Expenses

Income tax expenses represent the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the relevant period. Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in our consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

The following table sets forth the breakdown of our income tax expenses for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax:					
— PRC Enterprise Income Tax ("EIT")	4,119	5,246	7,559	4,324	10,115
— Overprovision of EIT in prior years/ periods	—	—	—	—	(2,267)
— Withholding tax paid	—	3,110	3,090	3,090	—
	4,119	8,356	10,649	7,414	7,848
Deferred tax:					
— Current year/period	(217)	1,675	(2,559)	(4,060)	405
— Attributable to a change in tax rate	(1,453)	1,498	—	—	—
	(1,670)	3,173	(2,559)	(4,060)	405
Total:	**2,449**	**11,529**	**8,090**	**3,354**	**8,253**

Our Company is incorporated in the Cayman Islands and is not subject to the income tax in the Cayman Islands. Our income tax expenses primarily consist of income taxes payable by, and deferred tax related to, our subsidiaries in the PRC under relevant PRC income tax laws and regulations. Pursuant to the new Enterprise Income Tax Law of the PRC, starting from 2008, withholding tax at a rate of 10% will be required to be recognized for profits to be distributed by our PRC subsidiaries to our Company or any overseas group companies. We recognized such a withholding tax of approximately RMB6.2 million for the year ended 31 December 2008 while no similar withholding tax was recognized in 2009 or the first half of 2010 as we decided not to distribute profits for the years ended 31 December 2009 and 2010. See "— Factors Affecting Our Results of Operations — Taxation".

RESULTS OF OPERATIONS

Selected Consolidated Financial Information

The following table is a summary of our consolidated statements of comprehensive income for the periods indicated. The selected consolidated statements of comprehensive income data presented below for the periods indicated is derived from our consolidated financial statements included in Appendix I — "Accountants' Report" and you should read the entire financial statements included therein, including the notes thereto, for more details.

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	652,628	897,999	872,396	366,566	635,680
Cost of sales	(517,283)	(723,211)	(674,422)	(283,765)	(491,706)
Gross profit	135,345	174,788	197,974	82,801	143,974
Other gains and losses	10,821	(2,506)	8,273	1,620	(1,958)
Distribution and selling expenses	(14,809)	(18,891)	(20,480)	(8,981)	(12,859)
Administrative and general expenses	(30,915)	(45,422)	(47,978)	(22,282)	(29,039)
Research and development expenses	(23,152)	(26,280)	(27,278)	(12,212)	(12,735)
Finance costs	(9,117)	(15,625)	(13,924)	(6,746)	(8,929)
Share of loss of an associate	(214)	—	—	—	—
Profit before taxation	67,959	66,064	96,587	34,200	78,454
Income tax expenses	(2,449)	(11,529)	(8,090)	(3,354)	(8,253)
Profit and total comprehensive income for the year/period	65,510	54,535	88,497	30,846	70,201
Profit and total comprehensive income attributable to:					
— Owners of the Company	62,663	54,402	88,265	31,240	69,701
— Non-controlling interests	2,847	133	232	(394)	500
	65,510	54,535	88,497	30,846	70,201
Earnings per share — basic (RMB cents)	13.2	11.2	16.9	6.0	13.3

Six Months Ended 30 June 2010 Compared with Six Months Ended 30 June 2009

Revenue

Revenue increased by approximately RMB269.1 million, or approximately 73.4%, from approximately RMB366.6 million for the six months ended 30 June 2009 to approximately RMB635.7 million for the six months ended 30 June 2010. The increase was primarily due to overall increase in customer demands, growing customer base and our expansion in production as the general economy grew at a relatively faster pace during the first half of 2010 as compared to the first half of 2009, during which customer demands were lower as the economy just started to recover from the economic downturn and the growth of the consumer electronics industry was relatively slower. Specifically,

- Sales of external signal cable assembly products increased by RMB0.6 million from RMB159.8 million for the six months ended 30 June 2009 to RMB160.4 million for the six months ended 30 June 2010, primarily due to an approximately 1.7% increase in sales volume of our external signal cable assembly products in the first half of 2010 as customer demands for our RGB and USB assembly products grew, which was partially offset by a decrease in average unit selling price mainly as a result of the reduction in the average length of USB assembly products that we sold in the first half of 2010 pursuant to product requirements as requested by our customers in general. Sales of RGB assembly increased by RMB6.2 million, or 8.1%, from RMB76.4 million for the six months ended 30 June 2009 to RMB82.6 million for the six months ended 30 June 2010, primarily due to an increase of 15.6% in sales volume mainly because the purchase orders from our existing customers increased and we continued to develop customer base for our RGB assembly with customers for such products increasing from 13 in the first half of 2009 to 15 in the first half of 2010, which was partially offset by a decrease in average unit selling price as a result of a general reduction in the average length of our RGB assembly products sold, and sales of USB assembly increased by RMB1.4 million, or 5.6%, from RMB24.9 million for the six months ended 30 June 2009 to RMB26.3 million for the six months ended 30 June 2010, primarily due to an increase of 12.5% in sales volume mainly because the purchase orders from our existing customers increased and we continued to develop customer base for our USB assembly with customers for such products increasing from 10 in the first half of 2009 to 16 in the first half of 2010, which was partially offset by a decrease in average unit selling price in line with general reduction in the average length of our USB assembly products and as we priced our USB assembly products more competitively to gain market share, whereas sales of DC assembly decreased by RMB7.9 million, or 43.2%, from RMB18.3 million for the six months ended 30 June 2009 to RMB10.4 million for the six months ended 30 June 2010, primarily because we transferred the production of DC assembly products, which is relatively labor intensive, from our production facilities in Weihai to those in Dezhou where we can have more stable supply of a large number of production personnel and consequently, we experienced reduced level of production during the initial phase of such transfer as we gradually ramped up the production of our DC assembly products in Dezhou.

- Sales of internal signal cable assembly products increased by RMB94.7 million, or 221.8%, from RMB42.7 million for the six months ended 30 June 2009 to RMB137.4 million for the six months ended 30 June 2010, primarily due to (i) an increase of approximately 71.0% sales volume of our internal signal cable products as the purchase orders for our LVDS products increased and we continued to develop customer base for our LVDS products with customers for such products increasing from 9 in the first half of 2009 to 13 in the first half of 2010 while the revenue contribution of FFC products was for a six month period in the first half of 2010 as compared to one month in the first half of 2009 as we started the commercial production of FFC products late in the first half of 2009, and (ii) an increase in the average unit selling prices of our internal signal cable products as we continued to reduce the production and sales of Harness product with lower selling price and also as a result of an overall increase in our selling price due to the increase in the average copper price increased in the first half of 2010 as compared to the first half of 2009.

- Sales of power cord assembly products increased by RMB43.0 million, or 61.6%, from RMB69.8 million for the six months ended 30 June 2009 to RMB112.8 million for the six months ended 30 June 2010, primarily due to an approximately 89.5% increase in sales volume as customer purchase orders increased and we continued to develop customer base for our power cord assembly products with customer for such products increasing from 16 in the first half of 2009 to 22 in the first half of 2010, which was partially offset by a decrease in average unit selling price mainly in line with the general reduction in the average length of our power cord assembly products sold pursuant to product requirements as requested by our customers.

- Sales of wire & cable products increased by RMB88.8 million, or 137.9%, from RMB64.4 million for the six months ended 30 June 2009 to RMB153.2 million for the six months ended 30 June 2010, primarily due to (i) an increase in sales volume of our wire & cable products as we increased production in response to the increased customer demands and expanded customer base for our wire & cable products with customers for such products increasing from 25 in the first half of 2009 to 36 in the first half of 2010, and (ii) increased average unit selling price of such products mainly as a result of the higher average copper price in the first half of 2010. As a major contributor to the sales of our wire & cable products, sales of consumer electronic cables increased by RMB62.1 million, or 135.6%, from RMB45.8 million for the six months ended 30 June 2009 to RMB107.9 million for the six months ended 30 June 2010, primarily due to (i) an increase of 55.9% in sales volume due to increased customer demands and our efforts in expanding customer base for such products with customers for such products increasing from 13 in the first half of 2009 to 19 in the first half of 2010, and (ii) increased average unit selling price mainly as a result of the higher average copper price in the first half of 2010. In addition, sales of power cable increased by RMB19.3 million, or 216.9%, from RMB8.9 million for the six months ended 30 June 2009 to RMB28.2 million for the six months ended 30 June 2010, primarily due to an increase of 101.1% in sales volume due to increased customer demand and increased average unit selling prices mainly as a result of the higher average copper price in the first half of 2010.
- Sales of connectors increased by RMB3.6 million, or 21.4%, from RMB16.8 million for the six months ended 30 June 2009 to RMB20.4 million for the six months ended 30 June 2010, notwithstanding an approximately 33.6% decrease in sales volume during the period primarily because we were able to increase the average selling price of our connector products as we increased the production and sales of connectors with higher selling price and margin, such as D SUB connectors, in the first half of 2010 as compared to a higher proportion of DVI and USB connector products with lower selling price and margin in the first half of 2009.

Cost of Sales

Cost of sales increased by approximately RMB207.9 million, or approximately 73.3%, from approximately RMB283.8 million for the six months ended 30 June 2009 to approximately RMB491.7 million for the six months ended 30 June 2010. The increase was primarily due to (i) an increase in raw material costs from RMB217.7 million in the first half of 2009 to RMB370.5 million in the first half of 2010, mainly as a result of an overall increase in sales volume and the higher average copper prices in the first half of 2010 as compared to the first half of 2009 (with our average purchase prices for copper materials amounting to approximately RMB49,460 per tonne in the first half of 2010, representing an increase of 81.8% from approximately RMB27,200 per tonne in the first half of 2009); (ii) an increase in labor costs from RMB30.9 million in the first half of 2009 to RMB56.5 million in the first half of 2010, mainly as a result of an increase in manufacturing staff and an increase in employee salaries in line with our increased sales and production in the first half of 2010; (iii) an increase in outsourcing costs from RMB12.0 million in the first half of 2009 to RMB29.4 million in the first half of 2010 mainly as a result of increased outsourcing of non-essential production work to third party contract manufacturers as we continued to increasingly focus on developing our research and development capabilities and expanding our sales and marketing efforts while strengthening our ability to conduct essential production processes; (iv) an increase in utility costs from RMB5.0 million in the first half of 2009 to RMB9.4 million in the first half of 2010, mainly as a result of increased production in line with the overall increase in sales volume of our products; and (v) an increase in depreciation from RMB9.4 million in the first half of 2009 to RMB12.4 million in the first half of 2010 mainly as a result of the expansion in production facilities and increased procurement of equipment in line with the expanded business operations. Cost of sales, as a percentage of total revenue, remained at approximately 77.4% for the first half of 2009 and 2010.

Of total labor cost, RMB20.1 million (or 35.6%) and RMB36.3 million (or 64.4%) were attributable to our employees and contract workers in the first half of 2010, respectively, while RMB23.0 million (or 74.3%) and RMB7.9 million (or 25.7%) were attributable to our employees and contract workers in the first half of 2009, respectively. The proportion of labor cost attributable to contract workers increased from 25.7% in the first half of 2009 to 64.4% in the first half of 2010 mainly due to the increase in the number of contract workers in the first half of 2010 (5,121 as of 30 June 2010) as compared to the first half of 2009 (1,175 as of 30 June 2009) as (i) we significantly expanded our production capacities, including adding a number of production lines for our internal signal cable assembly, RGB assembly, DVI assembly and other products in the first half of 2010. See "— Production Facilities and Equipment"; and (ii) we took on additional contract workers in May and June 2010 in order to provide them training in advance in preparation for the planned increase in production in the second half of the year as our customer purchase orders typically increase in the second half of each year as well as for the planned expansion of production capacity in 2011.

Gross Profit

As a result of the foregoing, our gross profit increased by approximately RMB61.2 million, or approximately 73.9%, from approximately RMB82.8 million for the six months ended 30 June 2009 to approximately RMB144.0 million for the six months ended 30 June 2010. Our gross profit margin remained relatively stable at approximately 22.6% for the six months ended 30 June 2009 and approximately 22.6% for the six months ended 30 June 2010. Specifically,

- Gross profit margin of our external signal cable assembly products decreased from 23.3% in the first half of 2009 to 22.8% in the first half of 2010, primarily due to the decrease in profit margins of our DVI, HDMI, USB and DC assembly as we priced our external signal cable assembly products more competitively as part of our pricing and marketing strategies in order to gain more market share as the global economy, in particular, the consumer electronics industry, continued to recover while the profit margin of our RGB assembly increased slightly due to the efficiency achieved from increased production scale and enhancements in manufacturing processing techniques.

- Gross profit margin of our internal signal cable assembly products decreased from 28.3% in the first half of 2009 to 27.7% in the first half of 2010, primarily due to the greater labor costs we incurred in the first half of 2010 as we, in anticipation of increased customer demand, started to hire a significant number of production personnel (including contract workers) for trainings since April 2010 in preparation of planned expansion in production of such products in the second half of the year.

- Gross profit margin of power cord assembly products decreased from 18.4% in the first half of 2009 to 17.6% in the first half of 2010 as we priced our power cord assembly products more competitively with a view to capture greater market share and increased safety certifications and spending in making additional molding machines for our power cord assembly products for the purposes of becoming a leader in our target power cord assembly market, which resulted in higher fixed costs.

- Gross profit margin of wire & cable products decreased from 24.8% in the first half of 2009 to 19.7% in the first half of 2010 as we focused on increasing market share and expanding customer base by pricing our wire & cable products more competitively in the first half of 2010.
- Gross profit margin of connector products increased from 20.7% in the first half of 2009 to 30.6% in the first half of 2010 primarily because we increased the production and sales of connectors with higher selling price and margin, such as D SUB connectors, in the first half of 2010.

Other Gains and Losses

We incurred other losses of RMB2.0 million for the six months ended 30 June 2010 while we had other gains of RMB1.6 million for the six months ended 30 June 2009. The losses for the six months ended 30 June 2010 were primarily attributable to (i) investment loss in respect of derivative financial instrument of approximately RMB1.8 million in relation to our copper hedging transactions while we had a corresponding gain or reduced cost with respect to the costs of our copper materials subject to such hedging transactions, and (ii) net foreign exchange losses of RMB1.2 million as we held more US dollar and other foreign currency-denominated assets than liabilities and thus incurred a loss in RMB terms on such assets and liabilities mainly due to the depreciation of US dollar against RMB, partially offset by government grants of RMB0.9 million. The gains for the six months ended 30 June 2009 were primarily attributable to investment gain in respect of derivative financial instrument of approximately RMB1.1 million in relation to our copper hedging transactions and government grants of RMB0.7 million, partially offset by losses on disposal of property, plant and equipment of RMB0.3 million.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB3.9 million, or approximately 43.2%, from approximately RMB9.0 million for the six months ended 30 June 2009 to approximately RMB12.9 million for the six months ended 30 June 2010. This increase was due primarily to (i) an increase in transportation expenses from RMB3.5 million in the first half of 2009 to RMB5.7 million in the first half of 2010 in line with increased revenue and (ii) an increase in salary expenses from RMB1.4 million in the first half of 2009 to RMB2.0 million in the first half of 2010, primarily due to an increase in sales and marketing personnel and increased salaries and other compensation for sales and marketing personnel in line with the increase in our revenue.

Administrative and General Expenses

Administrative and general expenses increased by approximately RMB6.7 million, or approximately 30.0%, from approximately RMB22.3 million for the six months ended 30 June 2009 to approximately RMB29.0 million for the six months ended 30 June 2010. This increase was due primarily to (i) an increase in salary expenses from RMB7.0 million in the first half of 2009 to RMB10.3 million in the first half of 2010, primarily due to an increase in general and administrative personnel and increased employee salaries and compensation; (ii) an increase in office expenses from RMB2.1 million in the first half of 2009 to RMB2.2 million in the first half of 2010, primarily due to increased business operations; (iii) an increase in transportation expenses from RMB1.1 million in the first half of 2009 to RMB2.8 million in the first half of 2010 in line with increased business operations; and (iv) an increase in bank charges from RMB0.9 million in the first half of 2009 to RMB1.7 million in the first half of 2010 primarily due to increased bill purchases in relation to the exports of our products and uses of letters of credit primarily in relation to payment for purchases of equipment and materials.

Research and Development Expenses

Research and development expenses increased by approximately RMB0.5 million, or approximately 4.1%, from approximately RMB12.2 million for the six months ended 30 June 2009 to approximately RMB12.7 million for the six months ended 30 June 2010. This increase was due primarily to (i) an increase in raw materials used for research and development from RMB3.3 million in the first half of 2009 to RMB4.4 million in the first half of 2010, as we used an increased amount of raw materials for prototype making and testing activities in the first half of 2010 related to certain research and development projects that started in 2009 while such projects were at an early stage in the first half of 2009 and thus did not require raw materials for product prototypes and testing and (ii) an increase in salary expenses for research and development personnel from RMB4.3 million in the first half of 2009 to RMB4.5 million in the first half of 2010, primarily due to an increase in research and development personnel as the number of research and development projects (including those related to electricity conductor materials, HDMI type of computer specialty data cable and SATA 3.0 type of computer high speed data cable) increased in the first half of 2010, which were partially offset by a decrease in depreciation on facilities and equipment used for research and development from RMB1.4 million in the first half of 2009 to RMB1.1 million in the first half of 2010, mainly due to the greater use of high precision and other equipment for research and development projects in the first half of 2009 while we mainly engaged in product prototype making and early feasibility studies for our research and development projects in the first half of 2010, which require less use of such high precision and other equipment.

Finance Costs

Finance costs increased by approximately RMB2.2 million, or approximately 32.8%, from approximately RMB6.7 million for the six months ended 30 June 2009 to approximately RMB8.9 million for the six months ended 30 June 2010, primarily due to an increase in bank interest expenses mainly as a result of increased bank borrowings in the first half of 2010.

Income Tax Expenses

Our income tax expenses increased by approximately RMB4.9 million, or approximately 144.1%, from approximately RMB3.4 million for the six months ended 30 June 2009 to approximately RMB8.3 million for the six months ended 30 June 2010, in line with the increased profits before taxation. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 9.8% and 10.5% for the six months ended 30 June 2009 and 2010, respectively. The increase in effective tax rate for the six months ended 30 June 2010 was primarily due to the increased statutory tax rates in the first half of 2010 as compared to the first half of 2009 for certain of our subsidiaries, including primarily Weihai Cable, Changshu Electronic and Changshu Connecting-Technology. See "— Factors Affecting Our Results of Operations — Taxation".

Profit and Total Comprehensive Income for the Period

As a result of the foregoing, profit and total comprehensive income for the period increased by approximately RMB39.4 million, or approximately 127.9%, from approximately RMB30.8 million for the six months ended 30 June 2009 to approximately RMB70.2 million for the six months ended 30 June 2010. Our net profit margin was approximately 11.0% for the six months ended 30 June 2010 as compared to approximately 8.4% for the six months ended 30 June 2009. The increase in net profit margin was primarily attributable to a decrease in operating expenses as a percentage of total revenue as we focused on cost control and achieved cost savings on our administrative and general expenses and distribution, resulting in a decrease of such expenses as a percentage of total revenue in the first half of 2010 as compared to the first half of 2009 while our research and development expenses as a percentage of total revenue was lower in the first half of 2010 as a number of new projects were at an early stage with a greater portion of related research and development spending expected to be incurred in the second of the year.

Year Ended 31 December 2009 Compared with Year Ended 31 December 2008

Revenue

Revenue decreased by approximately RMB25.6 million, or approximately 2.9%, from approximately RMB898.0 million for the year ended 31 December 2008 to approximately RMB872.4 million for the year ended 31 December 2009. The decrease was primarily due to an overall decrease in average unit selling prices of our products mainly as a result of the lower average copper price in 2009 as compared to 2008, which was partially offset by an overall increase in sales volume of our products as we increased production to meet customer demand as the global economy started to recover in 2009. Specifically,

- Sales of external signal cable assembly products decreased by RMB104.7 million, or 24.5%, from RMB427.2 million for the year ended 31 December 2008 to RMB322.5 million for the year ended 31 December 2009. The decrease was primarily due to a decrease in average unit selling price of our external cable assembly products mainly as a result of the lower average copper prices in 2009 while the sales volume increased by approximately 1.5% between 2008 and 2009 primarily due to an increase in sales volume of USB assembly as we continued to expand customer base from 12 in 2008 for this product type to 14 in 2009. As major contributors to the sales of our external signal cable assembly products, (i) sales of RGB assembly decreased by RMB58.8 million, or 27.3%, from RMB215.0 million for the year ended 31 December 2008 to RMB156.2 million for the year ended 31 December 2009, primarily due to a decrease in average unit selling price while the sales volume increased by approximately 0.6% between 2008 and 2009, and (ii) sales of DVI assembly decreased by RMB16.0 million, or 17.3%, from RMB92.3 million for the year ended 31 December 2008 to RMB76.3 million for the year ended 31 December 2009, primarily due to a decrease in average unit selling price while the sales volume increased by approximately 7.2% between 2008 and 2009.

- Sales of internal signal cable assembly products increased by RMB42.7 million, or 50.9%, from RMB83.9 million for the year ended 31 December 2008 to RMB126.6 million for the year ended 31 December 2009, primarily due to an increase of approximately 85.0% in sales volume of LVDS assembly between 2008 and 2009 as we continued to expand the production of and develop customer base for LVDS assembly products with customers for such products increasing from 5 in 2008 to 10 in 2009. Notwithstanding the fluctuation in copper prices, the average unit selling prices of our internal signal cable assembly products remained stable over 2008 and 2009, primarily because we focused on production and sales of LVDS assembly for notebook in 2009 which have a relatively higher unit selling price and profit margin, and the proportion of sales relating to Harness further decreased in 2009.

- Sales of power cord assembly products increased by RMB54.9 million, or 47.6%, from RMB115.3 million for the year ended 31 December 2008 to RMB170.2 million for the year ended 31 December 2009, primarily due to an increase of approximately 110.6% in sales volume between 2008 and 2009 primarily due to the increased purchase order from our customers their demands for power cord products grew and their relationships with us further developed and the expansion of customer base from 17 in 2008 to 20 in 2009 for our power cord products. Such increase in sales volume was partially offset by a decrease in average unit selling prices mainly as a result of the lower average copper price in 2009.

- Sales of wire & cable products decreased slightly from RMB173.4 million for the year ended 31 December 2008 to RMB172.1 million for the year ended 31 December 2009, primarily due to a decrease in average unit selling price of our wire & cable products, which was partially offset by an increase of approximately 16.7% in sales volume between 2008 and 2009 as we expanded the production of our wire & cable products, primarily power cable, consumer electronic cable and automotive cable, in response to the increased customer demands. As a major contributor to the sales of our wire & cable products, sales of consumer electronic cables decreased by RMB13.1 million, or 9.9%, from RMB132.9 million for the year ended 31 December 2008 to RMB119.8 million for the year ended 31 December 2009 primarily due to a decrease in average unit selling price mainly as a result of the lower average copper prices in 2009, which was partially offset by an increase of approximately 3.0% in sales volume between 2008 and 2009.

- Sales of connectors increased by RMB13.0 million, or 56.3%, from RMB23.1 million for the year ended 31 December 2008 to RMB36.1 million for the year ended 31 December 2009, primarily due to (i) an increase of approximately 42.3% in sales volume between 2008 and 2009 as we expanded customer base for our connector products from 14 in 2008 to 22 in 2009 and (ii) increased average unit selling price in 2009.

Cost of Sales

Cost of sales decreased by approximately RMB48.8 million, or approximately 6.7%, from approximately RMB723.2 million for the year ended 31 December 2008 to approximately RMB674.4 million for the year ended 31 December 2009. The decrease was primarily due to a decrease in raw material costs from RMB610.5 million in 2008 to RMB529.9 million in 2009, mainly as a result of the lower average copper price in 2009 as compared to 2008 (with our average purchase prices for copper materials amounting to approximately RMB33,960 per tonne in 2009, representing a decrease of 35.1% from approximately RMB52,290 per tonne in 2008), which was partially offset by (i) an increase in outsourcing costs from RMB16.9 million in 2008 to RMB33.2 million in 2009 mainly as a result of the increased outsourcing of non-essential production work to third party contract manufacturers as we continued to increasingly focus on developing our research and development capabilities and expanding our sales and marketing efforts while strengthening our ability to conduct essential production processes; (ii) an increase in depreciation from RMB12.8 million in 2008 to RMB20.6 million in 2009 mainly as a result of the expansion in production facilities and increased procurement of equipment; (iii) an increase in utility costs from RMB10.9 million in 2008 to RMB11.2 million in 2009, mainly as a result of the increase production in line with the overall increase in sales volume of our products; and (iv) an increase in labor costs of RMB65.9 million in 2008 to RMB68.8 million in 2009 mainly as a result of an increase in manufacturing staff. Cost of sales, as a percentage of total revenue, decreased from 80.5% in 2008 to 77.3% in 2009.

Of total labor cost, RMB47.0 million (or 68.3%) and RMB21.8 million (or 31.7%) were attributable to our employees and contract workers in 2009, respectively, while RMB41.8 million (or 63.4%) and RMB24.1 million (or 36.6%) were attributable to our employees and contract workers in 2008, respectively.

Gross Profit

As a result of the foregoing, our gross profit increased by approximately RMB23.2 million, or approximately 13.3%, from approximately RMB174.8 million for the year ended 31 December 2008 to approximately RMB198.0 million for the year ended 31 December 2009. Our gross profit margin was approximately 22.7% for the year ended 31 December 2009 as compared to approximately 19.5% for the year ended 31 December 2008. The increase in our gross profit margin in 2009 was due primarily to (i) the profit margins of all key product types generally increased as the global economy and market demand for our products started to recover; (ii) the proportion of revenue contributed by higher margin products increased as we continued to focus on expanding the production of high margin products and the launching of innovative and other new products with high margins, such as high speed data communication cables and LVDS assembly, while also improving the margins of our other mature products through the enhancement of product processing techniques; and (iii) we achieved cost savings in better managing copper procurement and inventory. Specifically,

- Gross profit margin of our external signal cable assembly products increased from 20.2% in 2008 to 23.0% in 2009 as the gross profit margins of RGB assembly, DVI assembly, HDMI assembly and USB assembly products increased while the gross profit margin of DC assembly remained relatively stable at 26.8% and 27.0% in 2008 and 2009, respectively.

- Gross profit margin of internal signal cable assembly products increased from 25.3% in 2008 to 25.5% in 2009 as we increased the production and sales of higher margin LVDS assembly for notebook while as the same time reducing the production and sales of lower margin Harness products.

- Gross profit margin of power cord assembly products increased from 15.5% in 2008 to 18.7% in 2009 primarily due to the efficiency achieved as a result of increased production as the global economy and market demand for our products started to recover.

- Gross profit margin of wire & cable products increased from 20.0% in 2008 to 26.8% in 2009, partly due to the cost savings we achieved in better managing copper procurement and inventory and the launch of new products, such as HS006 high speed cable (SFP+), a type of communication cable. As the costs of copper materials typically account for the significant majority of the total cost of sales for our wire & cable products, which is significant higher than other product types such as signal cable assembly and power cord assembly that involve more labor input and therefore labor cost and as such the proportion of copper material cost as a percentage of their total cost of sale is relatively lower compared to wire & cable products, the impact of our cost savings in relation to copper procurement and inventory management on the profit margin of wire & cable products is more obvious and significantly greater as compared to our other product types.

- Gross profit margin of connector products increased from 15.1% in 2008 to 27.3% in 2009, primarily due to lower unit production costs mainly as a result of the continued increase in production scale of our connector products, improved in connector production processing technologies and development of new type of connector products such as D-SUB connector.

Other Gains and Losses

We had other gains of RMB8.3 million for the year ended 31 December 2009 while we incurred other losses of RMB2.5 million for the year ended 31 December 2008. The gains for the year ended 31 December 2009 were primarily attributable to gain of RMB4.5 million on disposal of a utility patent in respect of computer cable technology know-how which has no application in our existing products or new products that we plan to manufacture and sell in the future, investment gain in respect of derivative financial instrument of approximately RMB3.0 million in relation to our copper hedging transactions while we had a corresponding loss or increased cost with respect to the costs of our copper materials subject to such hedging transactions, and government grants of RMB1.4 million. The losses for the year ended 31 December 2008 were primarily attributable to investment loss in respect of derivative financial instrument of approximately RMB4.6 million in relation to our copper hedging transactions, net foreign exchange losses of RMB1.4 million and impairment loss in respect of interest in an associate of RMB1.2 million, partially offset by gain on disposal of our subsidiary Dongguan Electronic of RMB3.3 million and government grants of RMB1.1 million.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB1.6 million, or approximately 8.4%, from approximately RMB18.9 million for the year ended 31 December 2008 to approximately RMB20.5 million for the year ended 31 December 2009. This increase was due primarily to (i) an increase in transportation expenses from RMB7.6 million in 2008 to RMB8.3 million in 2009 in line with increased sales volume; (ii) an increase in salary expenses from RMB2.5 million in 2008 to RMB3.1 million in 2009, primarily due to an increase in sales and marketing personnel and increased salaries and other compensation for sales and marketing personnel; and (iii) an increase in business entertainment expenses from RMB1.3 million in 2008 to RMB1.9 million in 2009 in line with increased sales volume.

Administrative and General Expenses

Administrative and general expenses increased by approximately RMB2.6 million, or approximately 5.7%, from approximately RMB45.4 million for the year ended 31 December 2008 to approximately RMB48.0 million for the year ended 31 December 2009. This increase was due primarily to (i) an increase in amortization of employee shares granted from RMB1.8 million in 2008 to RMB7.1 million in 2009, primarily because the costs of the share grants will be amortized over the five-year grant period beginning in October 2008 and, as a result, such amortization was only related to three months in 2008 as compared to 12 months in 2009; (ii) an increase in salary expenses from RMB11.2 million in 2008 to RMB14.9 million in 2009, primarily due to an increase in general and administrative personnel; and (iii) an increase in audit and other professional fees from RMB2.1 million in 2008 to RMB5.7 million in 2009, primarily due to the additional professional services fees primarily for auditor and legal advisor we incurred for the preparation of our [●], which were partially offset by (i) a decrease in bad debt provision from a provision of RMB4.6 million in 2008 to a provision of RMB7,000 in 2009 and (ii) a decrease in provision for inventory impairment from RMB4.5 million in 2008 to RMB1.3 million in 2009. We made a provision of RMB4.6 million for bad debt in 2008 primarily because these accounts receivable were considered to be irrecoverable due to the economic downturn in late 2008. We made a provision of RMB4.5 million for inventory impairment primarily owing to higher raw material costs for certain inventories, resulting in the carry values of the inventories being higher than their net realizable values while we only provided for RMB1.3 million in 2009 as a result of change in requirement of a particular customer resulting in us revising our estimation of the selling price of our related products downwards, which led to the net realizable values of such specific inventories being lower than their carrying value.

Research and Development Expenses

Research and development expenses increased by approximately RMB1.0 million, or approximately 3.8%, from approximately RMB26.3 million for the year ended 31 December 2008 to approximately RMB27.3 million for the year ended 31 December 2009. This increase was due primarily to an increase in raw materials used for research and development from approximately RMB8.3 million in 2008 to approximately RMB14.1 million in 2009, primarily due to an increase in product prototypes as a number of our research and development projects were at a late stage in 2009, which was partially offset by a decrease in salary expenses for research and development personnel from RMB11.1 million in 2008 to RMB6.4 million in 2009, primarily due to a decrease in the number of our technical personnel involved in our research and development activities mainly due to the extra number of new projects undertaken by us in 2008 which resulted in additional staff being assigned to research and development work from our other departments such as engineering and testing while only core technical personnel for making product prototypes and conducting product testing were retained for projects undertaken in 2009.

Finance Costs

Finance costs decreased by approximately RMB1.7 million, or approximately 10.9%, from approximately RMB15.6 million for the year ended 31 December 2008 to approximately RMB13.9 million for the year ended 31 December 2009, primarily due to a decrease in bank interest expenses mainly as a result of reduced bank borrowings in 2009.

Income Tax Expenses

Our income tax expenses decreased by approximately RMB3.4 million, or approximately 29.6%, from approximately RMB11.5 million for the year ended 31 December 2008 to approximately RMB8.1 million for the year ended 31 December 2009, primarily because we recognized a withholding tax of RMB6.2 million on profits to be distributed to our shareholders as dividend in 2008 while no similar withholding tax was recognized in 2009 as we decided not to distribute profits for the year ended 31 December 2009. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 17.5% and 8.4% for the year ended 31 December 2008 and 2009, respectively. The decrease in effective tax rate for the year ended 31 December 2009 was primarily due to the RMB6.2 million withholding tax recorded in 2008.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, profit and total comprehensive income for the year increased by approximately RMB34.0 million, or approximately 62.4%, from approximately RMB54.5 million for the year ended 31 December 2008 to approximately RMB88.5 million for the year ended 31 December 2009. Our net profit margin was approximately 10.1% for the year ended 31 December 2009 as compared to approximately 6.1% for the year ended 31 December 2008. The increase in net profit margin was primarily attributable to (i) the increase in gross profit margin from approximately 19.5% in 2008 to approximately 22.7% in 2009; (ii) the increase in other gains as we had other gains of RMB8.3 million in 2009 as compared to the other losses of RMB2.5 million we incurred in 2008; and (iii) the decrease in income tax expenses from approximately RMB11.5 million in 2008 to approximately RMB8.1 million in 2009, in each case, as discussed above.

Year Ended 31 December 2008 Compared with Year Ended 31 December 2007

Revenue

Revenue increased by approximately RMB245.4 million, or approximately 37.6%, from approximately RMB652.6 million for the year ended 31 December 2007 to approximately RMB898.0 million for the year ended 31 December 2008. The increase was primarily due to an increase in sales volume in 2008 as compared to 2007 as sales volume increased in the first three quarters of 2008 which more than offset the adverse effect of the global economic downturn in late 2008, which resulted in a significant decrease in customer purchase orders in the fourth quarter of 2008. Specifically,

- Sales of external cable assembly products increased by RMB112.3 million, or 35.7%, from RMB314.9 million for the year ended 31 December 2007 to RMB427.2 million for the year ended 31 December 2008. The increase was primarily due to an increase of approximately 39.3% in sales volume of our external signal cable assembly products between 2007 and 2008 primarily due to the increased purchase orders from our customers as their demands for our products grew and their relationships with us further developed. In particular, sales of USB assembly increased by RMB64.7 million, from RMB11.4 million for the year ended 31 December 2007 to RMB76.1 million for the year ended 31 December 2008, primarily due to an increase of approximately 350.0% in sales volume between 2007 and 2008 as the applications of USB assembly increased and we expanded our customer base for our USB assembly products from 5 in 2007 to 12 in 2008. Sales of DC assembly increased by RMB24.5 million, or 127.6%, from RMB19.2 million for the year ended 31 December 2007 to RMB43.7 million for the year ended 31 December 2008, primarily due to an increase of approximately 95.4% in sales volume between 2007 and 2008.

- Sales of internal signal cable assembly products increased by RMB11.6 million, or 16.0%, from RMB72.3 million for the year ended 31 December 2007 to RMB83.9 million for the year ended 31 December 2008, primarily due to (i) an increase in average unit selling price mainly as a result of significant portion of sales attributable to LVDS assembly with a higher average unit selling price and (ii) an increase of approximately 11.6% in sales volume between 2007 and 2008 with approximately 76.3% of the total sales volume in 2008 attributable to LVDS assembly as we started to focus on the production and sales of LVDS assembly while reducing the production and sales of Harness, the sales volume of which decreased by approximately 73.2% between 2007 and 2008.

- Sales of power cord assembly products increased by RMB55.6 million, or 93.1%, from RMB59.7 million for the year ended 31 December 2007 to RMB115.3 million for the year ended 31 December 2008, primarily due to an increase of approximately 67.1% in sales volume between 2007 and 2008 as we expanded the production and sales of power cord assembly for use in computers and information technology-related products as we expanded our customer base.
- Sales of wire & cable products increased by RMB31.2 million, or 21.9%, from RMB142.2 million for the year ended 31 December 2007 to RMB173.4 million for the year ended 31 December 2008, primarily due to an increase of approximately 6.1% in sales volume between 2007 and 2008 as we increased production capacity of our wire & cable and therefore increased the external sale of our wire & cable products. As a major contributor to the sales of our wire & cable products, sales of consumer electronic cables increased by RMB18.1 million, or 15.8%, from RMB114.8 million for the year ended 31 December 2007 to RMB132.9 million for the year ended 31 December 2008, primarily due to an increase in average unit selling price mainly as a result of the launch of new products with higher selling price such as High Speed Interface Signal Cable (1394) in 2008.
- Sales of connectors increased by RMB21.7 million from RMB1.4 million for the year ended 31 December 2007 to RMB23.1 million for the year ended 31 December 2008, primarily due to an increase of approximately 22-fold in sales volume between 2007 and 2008 as we increased the production of and expanded customer base for our connector products, which was partially offset by a decrease in average unit selling price.

Cost of Sales

Cost of sales increased by approximately RMB205.9 million, or approximately 39.8%, from approximately RMB517.3 million for the year ended 31 December 2007 to approximately RMB723.2 million for the year ended 31 December 2008. The increase was primarily due to (i) an increase in raw material costs from RMB430.5 million in 2007 to RMB610.5 million in 2008, mainly as a result of an overall increase in sales volume; (ii) an increase in outsourcing costs from RMB8.3 million in 2007 to RMB16.9 million in 2008 mainly as a result of increased outsourcing of production of our products to third party contract manufacturers as we planned to increasingly focus our resources on developing our research and development capabilities and expanding our sales and marketing efforts while strengthening our ability to conduct only important and essential production processes while we outsourced technically simple and labor intensive production processes to such contract manufacturers; (iii) an increase in depreciation from RMB6.4 million in 2007 to RMB12.8 million in 2008 mainly as a result of the expansion in production facilities and increased procurement of equipment; (iv) an increase in labor costs of RMB60.5 million in 2007 to RMB65.9 million in 2008 mainly as a result of an increase in manufacturing staff, and an increase in employee salaries; and (v) an increase in utility costs from RMB7.0 million in 2007 to RMB10.9 million in 2008, mainly as a result of the increased production in line with the overall increase in sales volume of our products. Cost of sales, as a percentage of total revenue, increased from 79.3% in 2007 to 80.5% in 2008.

Of total labor cost, RMB41.8 million (or 63.4%) and RMB24.1 million (or 36.6%) were attributable to our employees and contract workers in 2008, respectively, while RMB40.3 million (or 66.6%) and RMB20.2 million (or 33.4%) were attributable to our employees and contract workers in 2007, respectively.

Gross Profit

As a result of the foregoing, our gross profit increased by approximately RMB39.5 million, or approximately 29.2%, from approximately RMB135.3 million for the year ended 31 December 2007 to approximately RMB174.8 million for the year ended 31 December 2008. Our gross profit margin was approximately 19.5% for the year ended 31 December 2008 as compared to approximately 20.7% for the year ended 31 December 2007. The decrease in our gross profit margin in 2008 was primarily because we experienced a decrease in customer orders in the fourth quarter of 2008 mainly as a result of the global economic downturn and, accordingly, fixed production costs as a percentage of revenue increased leading to the lower gross profit margin. Specifically,

- Overall gross profit margin of our external signal cable assembly product decreased from 23.2% in 2007 to 20.2% in 2008, primarily due to the decrease in customer demand in the fourth quarter of 2008 as a result of the economic downturn.
- Gross profit margin of internal signal cable assembly products increased from 17.8% in 2007 to 25.3% in 2008 primarily because we as we started to focus on the production and sales of LVDS assembly with high margins while reducing the production and sales of lower margin Harness products.
- Gross profit margin of power cord assembly products decreased from 18.2% in 2007 to 15.5% in 2008 primarily due to the decrease in customer demand in the fourth quarter of 2008 as a result of the economic downturn.
- Gross profit margin of wire & cable products remained relatively stable at 19.8% and 20.0% in 2007 and 2008, respectively, primarily due to the cost savings we achieved in better managing copper procurement and inventory, which had an offsetting effect on the adverse impact of the economic downturn in late 2008. As the costs of copper materials typically accounts for the significant majority of the total cost of sales for our wire & cable products, which is significant higher than other product types such as signal cable assembly and power cord assembly that involve more labor input and therefore labor cost and as such the proportion of copper material cost as a percentage of their total cost of sale is relatively lower compared to wire & cable products, the impact of our cost savings in relation to copper procurement and inventory management on the profit margin of wire & cable products is more obvious and significantly greater as compared to our other product types.
- Gross profit margin of connector products increased from 8.1% in 2007 to 15.1% in 2008, primarily due to lower unit production cost mainly as a result of the increased efficiency achieved as we expanded the scale of production of our connector products in 2008.

Other Gains and Losses

We had other losses of RMB2.5 million for the year ended 31 December 2008 while we had other gains of RMB10.8 million for the year ended 31 December 2007. The gains for the year ended 31 December 2007 were primarily attributable to government grants of RMB10.6 million as we received a non-recurring subsidy of RMB5.7 million and RMB4.9 million from the finance bureau of the Weihai Economic and Technological Development Zone and the committee of Shandong Linyi Economic and Technological Development Zone, respectively, in 2007 in recognition of our investments in and increased focus on research and development. The losses for the year ended 31 December 2008 were primarily attributable to (i) investment loss in respect of derivative financial instrument of approximately RMB4.6 million in relation to our copper futures hedging transactions while we had a corresponding gain or saving related to the costs of our copper materials subject to such hedging transactions, (ii) net foreign exchange losses of RMB1.4 million as we held more US dollar and other foreign currency-denominated assets than liabilities and thus incurred a loss in RMB terms on such assets and liabilities mainly due to the depreciation of US dollar against RMB and (iii) impairment loss in respect of interest in an associate of RMB1.2 million, partially offset by gain on disposal of our subsidiary Dongguan Electronic of RMB3.3 million and government grants of RMB1.1 million. The gain on disposal of our subsidiary Dongguan Electronic of RMB3.3 million was calculated based on the difference between the total consideration of US$3 million and the net assets of approximately RMB18.8 million of Dongguan Electronic at the date of disposal. See note 32 to the "Accountants' Report" in Appendix I to this document for further details.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately RMB4.1 million, or approximately 27.7%, from approximately RMB14.8 million for the year ended 31 December 2007 to approximately RMB18.9 million for the year ended 31 December 2008. This increase was due primarily to (i) an increase in transportation expenses from RMB6.0 million in 2007 to RMB7.6 million in 2008, generally in line with increased sales volume; (ii) an increase in customs registration expenses from RMB1.6 million in 2007 to RMB3.0 million in 2008, primarily due to increased sales of products designated for exports; and (iii) an increase in business development expenses from RMB1.4 million in 2007 to RMB2.0 million in 2008, primarily due to our increased efforts in obtaining new customers.

Administrative and General Expenses

Administrative and general expenses increased by approximately RMB14.5 million, or approximately 46.9%, from approximately RMB30.9 million for the year ended 31 December 2007 to approximately RMB45.4 million for the year ended 31 December 2008. This increase was due primarily to (i) an increase in bad debt provision from RMB0.3 million in 2007 to RMB4.6 million in 2008, primarily because a portion of accounts receivable was considered to be irrecoverable due to the economic downturn in late 2008; (ii) an increase in provision for impairment of inventories from nil in 2007 to RMB4.5 million in 2008, primarily because the market value of a portion of our inventories was determined to be less than their costs due to higher copper material costs for certain inventories, resulting in the carry values of the inventories being higher than their net realizable values; (iii) an increase in amortization of employee shares granted from nil in 2007 to RMB1.8 million in 2008, primarily because the amortization of the related share grants only started in October 2008; (iv) an increase in depreciation of fixed assets from RMB2.6 million in 2007 to RMB4.0 million in 2008, primarily due to an increase in office equipment mainly as a result of the expansion in our operations; (v) an increase in salary expenses from RMB9.5 million in 2007 to RMB11.2 million in 2008, primarily due to an increase in general and administrative personnel in line with the expansion in our operations and increased employee salaries and other compensation; (vi) an increase in audit and other professional fees from RMB11,000 in 2007 to RMB2.1 million in 2008, primarily due to the fees we paid for auditor and other professionals, including auditor and legal advisor engaged for auditing our historical financial statements prepared in IFRS, advising us on reorganization and other related legal and compliance matters, as the case may be, in the preparation of our [●]; and (vii) an increase in financial service charges from RMB0.8 million in 2007 to RMB2.0 million in 2008, primarily due to an increase in fees paid to third-party guarantee service providers on an increasing amount of our guaranteed bank borrowings, which were partially offset by a decrease in other tax paid from RMB5.4 million in 2007 to RMB2.0 million in 2008. Such independent third-party guarantee service providers that we engaged for bank loan guarantee services during the Track Record Period included: (i) Changshu City Guo Fa Medium and Small Enterprise Guaranty Company; (ii) Changshu City Ling Feng Guaranty Co., Ltd.; (iii) Changshu City Qing Qi Investment Guaranty Co., Ltd.; (iv) State-owned Asset Management (Group) Co., Ltd.; (v) Shandong Heng Feng Guaranty Co., Ltd.; and (vi) Weihai City Feng Run Asset Management Company.

Guarantee companies provide third party guarantee service to enterprises or individuals when they apply for loans and charge service fees for providing this kind of service. When a borrower applies to a bank for loan, the bank would usually request the borrower to provide mortgage or third party guarantee, and in case the borrower is unable to repay the loan, the third party guarantor shall bear joint and several liabilities. Our PRC legal advisor, Deheng Law Firm, is of opinion that, the above independent third-party guarantors have been approved by the relevant PRC authorities to provide guarantee service and therefore, the use of third party guarantee service by the Group is legal and valid.

Research and Development Expenses

Research and development expenses increased by approximately RMB3.1 million, or approximately 13.4%, from approximately RMB23.2 million for the year ended 31 December 2007 to approximately RMB26.3 million for the year ended 31 December 2008. This increase was due primarily to an increase in salary expenses for research and development personnel from RMB8.3 million in 2007 to RMB11.1 million in 2008, primarily due to (i) an increase in our technical personnel to engage in an increasing number of research and development projects in various areas, such as HDMI assembly, USB assembly, environmentally friendly low smoke halogen-free insulating materials and innovative signal cable technologies, and (ii) an increase in depreciation of research and development-related assets from RMB2.7 million in 2007 to RMB3.1 million in 2008, mainly as a result of an increase in equipment used for research and development, which were partially offset by a decrease in raw materials used for research and development from RMB8.6 million in 2007 to RMB8.3 million in 2008, primarily as a result of a relatively large amount of raw materials used for research and development activities on connector products in 2007.

Finance Costs

Finance costs increased by approximately RMB6.5 million, or approximately 71.4%, from approximately RMB9.1 million for the year ended 31 December 2007 to approximately RMB15.6 million for the year ended 31 December 2008, primarily due to increased bank borrowings for working capital and capacity expansion and an increase in interest rates.

Share of Loss of an Associate

We had a share of loss of an associate of approximately RMB0.2 million for the year ended 31 December 2007, due to the loss of a 30% owned associate company, while we did not incur such loss for the year ended 31 December 2008 as that associated company ceased operations in 2008.

Income Tax Expenses

Our income tax expenses increased by approximately RMB9.1 million, or approximately 379.2%, from approximately RMB2.4 million for the year ended 31 December 2007 to approximately

RMB11.5 million for the year ended 31 December 2008, primarily due to the recognition of the withholding tax of RMB6.2 million on profits to be distributed to our shareholders as dividend in 2008 pursuant to the new PRC income tax law while there was no such withholding tax in the prior year. Our effective tax rates calculated from the tax charged to the consolidated statements of comprehensive income over the profit before tax were approximately 3.6% and 17.5% for the year ended 31 December 2007 and 2008, respectively. The increase in effective tax rate for the year ended 31 December 2008 was primarily due to the RMB6.2 million withholding tax recorded in 2008 and the higher applicable rates for some of our PRC subsidiaries as they became profitable.

Profit and Total Comprehensive Income for the Year

As a result of the foregoing, profit and total comprehensive income for the year decreased by approximately RMB11.0 million, or approximately 16.8%, from approximately RMB65.5 million for the year ended 31 December 2007 to approximately RMB54.5 million for the year ended 31 December 2008. Our net profit margin was approximately 6.1% for the year ended 31 December 2008 as compared to approximately 10.0% for the year ended 31 December 2007. The decrease in net profit margin was primarily attributable to (i) the decrease in gross profit margin from approximately 20.7% in 2007 to approximately 19.5% in 2008; (ii) the decrease in other gains as we incurred other losses of RMB2.5 million in 2008 as compared to the other gains of RMB10.8 million we had in 2007; (iii) the increase in administrative and general expenses from approximately RMB30.9 million in 2007 to approximately RMB45.4 million in 2008; and (iv) the increase in income tax expenses from approximately RMB2.4 million in 2007 to approximately RMB11.5 million in 2008, in each case, as discussed above.

ANALYSIS OF FINANCIAL POSITION

The following table sets forth a summary of our consolidated statements of financial position as of 31 December 2007, 2008 and 2009 and 30 June 2010. Such selected consolidated statements of financial position information is extracted from the Accountants' Report included in Appendix I to this document and you should read the entire financial statements included therein, including the notes thereto, for more details.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	193,782	268,408	308,576	325,960
Prepaid lease payments	17,264	16,904	16,544	26,568
Intangible assets	1,868	4,029	5,821	8,631
Deferred tax assets	4,518	4,435	3,904	3,499
Interest in an associate	1,210	—	—	—
	218,642	293,776	334,845	364,658
CURRENT ASSETS				
Inventories	139,116	115,309	115,594	185,306
Trade and other receivables	241,327	338,798	423,521	592,455
Derivative financial assets	—	—	—	1,774
Prepaid lease payments	360	360	360	565
Restricted bank balances	19,272	34,976	41,471	39,046
Bank balances and cash	19,805	23,413	73,744	75,170
	419,880	512,856	654,690	894,316
CURRENT LIABILITIES				
Trade and other payables	320,600	335,341	302,007	311,343
Derivative financial liabilities	—	920	—	1,202
Income tax liabilities	204	2,859	7,139	8,970
Bank borrowings	140,168	243,276	353,439	501,755
	460,972	582,396	662,585	823,270
NET CURRENT (LIABILITIES) ASSETS	(41,092)	(69,540)	(7,895)	71,046
TOTAL ASSETS LESS CURRENT LIABILITIES	177,550	224,236	326,950	435,704
CAPITAL AND RESERVES				
Paid-in capital/share capital	127,401	60,943	60,943	62,894
Reserves	42,680	160,203	255,615	361,078
Equity attributable to owners of the Company	170,081	221,146	316,558	423,972
Non-controlling interests	7,469	—	10,392	11,732
Total equity	177,550	221,146	326,950	435,704
NON-CURRENT LIABILITIES				
Deferred tax liabilities	—	3,090	—	—
	177,550	224,236	326,950	435,704

Property, Plant and Equipment

Property, plant and equipment consist of buildings, plants, equipment and other facilities, motor vehicles and construction-in-progress. As of 31 December 2007, 2008 and 2009 and 30 June 2010, property, plant and equipment amounted to approximately RMB193.8 million, RMB268.4 million, RMB308.6 million and RMB326.0 million, respectively. The increases were due primarily to the construction of plants and office buildings and acquisition of equipment and machineries in line with the growth in our business and operational scale.

Intangible Assets

Intangible assets consist primarily of software, trademarks and licenses. As of 31 December 2007, 2008 and 2009 and 30 June 2010, the carrying value of our intangible assets amounted to approximately RMB1.9 million, RMB4.0 million, RMB5.8 million and RMB8.6 million, respectively. The increases were due primarily to the development of our information systems, the development and acquisition of technologies as we expanded our business operations and increasingly focused on improving our technological capabilities, and the obtaining of an increasing number of safety certifications for our products.

Inventories

Our inventories consist of raw materials and consumables, work in progress and finished goods. The following table sets forth a summary of our inventory balances at the end of each reporting period indicated.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and consumables	40,587	25,914	34,046	76,978
Work in progress	23,667	12,060	20,015	32,415
Finished goods	74,862	77,335	61,533	75,913
Total:	**139,116**	**115,309**	**115,594**	**185,306**

The following table sets forth the turnover days of our inventory for the periods indicated:

	For the year ended 31 December			For the six months ended
	2007	2008	2009	30 June 2010
Inventory turnover days	98	58	63	69

Our inventory balance decreased by approximately RMB23.8 million, or approximately 17.1%, from approximately RMB139.1 million as of 31 December 2007 to approximately RMB115.3 million as of 31 December 2008, primarily due to (i) a decrease in raw materials and consumables from RMB40.6 million as of 31 December 2007 to RMB25.9 million as of 31 December 2008, primarily due to our reduction in the procurement of raw materials in late 2008 in anticipation of the decrease in customers' purchase orders primarily as a result of the global financial crisis as well as the disposal of our subsidiary, Dongguan Electronic, in 2008 and (ii) a decrease in work in progress of RMB23.7 million as of 31 December 2007 to RMB12.1 million as of 31 December 2008, primarily due to decreased production in late 2008 when we experienced a significant reduction in customers' purchase orders as a result of the adverse impact of the economic downturn, which were partially offset by an increase in finished goods of RMB74.9 million as of 31 December 2007 to RMB77.3 million as of

31 December 2008 primarily because we postponed the scheduled delivery of a portion of finished products in late 2008 as requested by our customers in response to the economic downturn. Our inventory balance increased by approximately RMB0.3 million, or approximately 0.3%, from approximately RMB115.3 million as of 31 December 2008 to approximately RMB115.6 million as of 31 December 2009, primarily due to an increase in raw materials and consumables from RMB25.9 million as of 31 December 2008 to RMB34.0 million as of 31 December 2009, mainly attributable to (i) the increased inventory of plastic materials in anticipation of their increased market price as well as an increase in inventory of copper rods as we commenced large-scale copper drawing processing in-house in Suzhou from September 2009, and (ii) a increase in work in progress from RMB12.1 million as of 31 December 2008 to RMB20.0 million as of 31 December 2009, primarily due to increased production in response to increased customer demands, which was partially offset by a decrease in finished goods from RMB77.3 million as of 31 December 2008 to RMB61.5 million as of 31 December 2009, primarily due to increased turnover rate for finished goods mainly as a result of increased customer demands. Our inventory balance increased by approximately RMB69.7 million, or approximately 60.3%, from approximately RMB115.6 million as of 31 December 2009 to approximately RMB185.3 million as of 30 June 2010, primarily due to (i) an increase in raw materials and consumables from RMB34.0 million as of 31 December 2009 to RMB77.0 million as of 30 June 2010, mainly attributable to an increase in purchase of copper materials in May and June 2010 in anticipation of the increased production in the second half of 2010 and also after considering the trend of copper price increase since the mid-2009; and (ii) increases in work in progress and finished goods from RMB20.0 million and RMB61.5 million, respectively, as of 31 December 2009 to RMB32.4 million and RMB75.9 million, respectively, as of 30 June 2010, as we expanded production in the first half of 2010 in response to increased customer demands and also in preparation for the anticipated increase in customer orders in the second half of the year due to business seasonality. See "— Factors Affecting Our Results of Operations — Seasonality".

Turnover days of inventory are derived by dividing the closing balances of inventory as of 31 December 2007, 2008 and 2009 and 30 June 2010 by cost of sales for the corresponding period and multiplying by 365 days or 182.5 days. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our inventory turnover days were 98 days, 58 days, 63 days and 69 days, respectively. The decrease in inventory turnover days from 98 days in 2007 to 58 days in 2008 was primarily attributable to the decreased inventory as of the end of 2008 mainly due to our increased efforts in streamlining our inventory management and to focus on planning our production based on customer purchaser orders. Given the significant decrease in customer purchase orders in the fourth quarter of 2008, we implemented internal requirements to streamline our inventory management and required that all the operating subsidiaries mainly use existing raw materials and other inventories for production, whereas the procurement of additional supplies could only be made by our procurement departments based on new customer purchase orders and required materials and components for the products so ordered and with the approval of the general managers of the relevant subsidiaries, and any purchase of supplies not supported by customer purchase orders if required could only be approved on a case by case basis by our Chief Executive Officer. The inventory turnover days for 2008 and 2009 were similar. The increase in inventory turnover days from 63 days in 2009 to 69 days in the first half of 2010 was attributable primarily to the increased purchase of copper materials in May and June 2010 in anticipation of the increased production in the second half of 2010 and also after considering the trend of copper price increase since the mid-2009.

Our sales and marketing managers review our inventory ageing list on a periodical basis for those aged inventories throughout 2007, 2008, 2009 and the six months ended 30 June 2010. This involves comparison of carrying value of the aged inventory items with the respective net realizable value. The purpose of the comparison is to ascertain whether allowance is required to be made for any obsolete and slow-moving items. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our inventory provision was nil, RMB4.5 million, RMB1.3 million and nil, respectively. We made inventory provision during 2008 and 2009 due to lower net realizable value comparing to carrying value of the aged inventory items. During the year ended 31 December 2008, due to the significant decrease in copper price starting in the third quarter of 2008 as a result of the impact of the global economic downturn, the anticipated realizable selling prices of our products (which are linked to prevailing copper prices) that were produced with copper materials we purchased in prior periods at relatively high prices were estimated to be lower than their costs and accordingly, we made inventories provision of RMB4.5 million in 2008. During the year ended 31 December 2009, we produced certain products in anticipation of the requirements of a customer to achieve better utilization of our extra production capacity; however, due to the product upgrading of that customer, the anticipated purchase order for these products was not fulfilled by the customer and our estimation of the selling price of these products was revised downwards and thus we made inventories provision of RMB1.3 million in 2009 with reference for the carrying value of such specific inventories.

As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the carrying amounts of inventories were approximately RMB139.1 million , RMB115.3 million, RMB115.6 million and RMB185.3 million, respectively (net of inventory write-down of nil, RMB4.5 million, RMB3.9 million and RMB2.0 million as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively).

As of 30 September 2010, we used up approximately RMB178.4 million of the RMB185.3 million inventories outstanding as of 30 June 2010 for production.

Trade and Other Receivables

Our trade receivables represent receivables primarily from the sales of our cable and connector products. Bill receivables principally represented bank acceptance notes provided to us by our customers for payment of the purchase prices of our products.

We generally give our customers 60 to 180 days' credit upon the issuance of invoice, although credit terms may vary based on our historical relationships with, and assessment of creditworthiness of, each customer. We continuously monitor the status of the outstanding accounts receivables due to us from each customer. As our key customers are mostly large brand and non-brand equipment manufacturers in the consumer electronics industry, we generally consider the credit risks relating to our trade receivables are relatively insignificant.

The following table sets forth the ageing analysis of our trade and bills receivables (net of allowances for doubtful debts) as at the end of each reporting period indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	181,845	190,998	305,986	450,934
Over 3 months but within 6 months	28,576	97,167	61,601	48,099
Over 6 months but within 1 year	20	1,679	569	—
Over 1 year but within 2 year	144	110	10	10
	210,585	289,954	368,166	499,043

The following table sets forth the turnover days of our trade and bills receivables for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
Trade and bills receivable turnover days	118	118	154	143

Our trade receivables (net of allowances for doubtful debts) increased from RMB181.8 million as of 31 December 2007 to RMB223.6 million as of 31 December 2008 and further to RMB290.8 million as of 31 December 2009 and RMB408.2 million as of 30 June 2010. The increase in trade receivables as of 31 December 2008 as compared to 31 December 2007 was primarily attributable to increased sales in general and also due to the increased sales of wire & cables products by Changshu Cable as it completed its start-up phase at the end of 2007 and developed its business in 2008. The increase in trade receivables as of 31 December 2009 as compared to 31 December 2008 was primarily due to: (i) increased sales to major Taiwan customers for which our normal credit term is 120-180 days upon the issuance of invoices whereas for Korean customers which accounted for the relatively large portion of our sales in prior periods, we typically offer a credit term of 60-90 days upon the issuance of invoices; and (ii) an increase in customer purchaser orders in the second half of 2009 as the global economy started to recover. The increase in trade receivables as of 30 June 2010 as compared to 31 December 2009 was primarily attributable to increased sales.

The increase in bills receivable from RMB28.8 million as of 31 December 2007 to RMB66.3 million as of 31 December 2008 was primarily because we accepted an increasing amount of note instruments for settlement of the purchase prices of our products as the sales and the number of customers increased in 2008. The increase in bills receivable from RMB66.3 million as of 31 December 2008 to RMB77.4 million as of 31 December 2009 was primarily due to the increased sales in late 2009 as the global economy started to recover in the second half of 2009 and an increasing number of customers chose to pay us with bank acceptance notes. The increase in bills receivable from RMB77.4 million as of 31 December 2009 to RMB90.9 million as of 30 June 2010 was primarily due to increased sales.

Substantially all of our trade and bills receivables at the end of the relevant reporting periods were due within one year. Of our trade and bills receivables (net of allowances for doubtful debts) outstanding as of 31 December 2007, 2008 and 2009 and 30 June 2010, those due within three months accounted for approximately 86.4%, 65.9%, 83.1% and 90.4% of total trade and bills receivables (net of allowances for doubtful debts), respectively.

Turnover days of trade and bills receivables are derived by dividing the closing balances of trade and bills receivables as of 31 December 2007, 2008 and 2009 and 30 June 2010 by revenue for the corresponding period and multiplying by 365 days or 182.5 days. Trade and bills receivable turnover days were 118 days, 118 days, 154 days and 143 days for the years ended 31 December 2007, 2008 and 2009 and for the six months ended 30 June 2010, respectively. The increase in trade and bills receivables turnover days from 118 days in 2008 to 154 days in 2009 was attributable primarily to the increased sales to major Taiwan customers for which our normal credit term is 120-180 days upon the issuance of invoices while there was a decrease in proportion of the sales attributable to Korean customers for which we typically offer a credit term of 60-90 days upon the issuance of invoices. Sales to Taiwan customers amounted to approximately RMB231.3 million and RMB302.6 million in 2008 and 2009, accounting for 25.8% and 34.7% of total revenue, respectively, while sales to Korean customers amounted to approximately RMB136.8 million and RMB115.8 million in 2008 and 2009, accounting for 15.2% and 13.3% of total revenue, respectively. The decrease in trade and bills receivables turnover days from 154 days in 2009 to 143 days in the first half of 2010 as we increasingly focused on the timely collection of receivables upon the expiration of credit terms we granted to our customers.

As of 30 September 2010, approximately RMB295.3 million of the RMB408.2 million trade receivables outstanding as of 30 June 2010 had been settled. As of 30 September 2010, approximately RMB67.1 million of the RMB90.9 million bills receivables outstanding as of 30 June 2010 had been settled.

For trade receivables past due, our management considers the credit quality of the relevant customers and our historical experiences with these customers in order to determine the level of provision for bad and doubtful debt. The following table sets forth the movements of our allowances for doubtful debts for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	—	—	3,176	3,124
Allowances for doubtful debts	—	3,176	979	582
Amount written off	—	—	(399)	—
Reversal of allowances for doubtful debts	—	—	(632)	(46)
At 31 December	—	3,176	3,124	3,660

In addition to trade and bills receivables, our receivables also consist of the following:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Advance to suppliers	6,193	8,840	21,943	34,180
Value added tax ("VAT") receivable	6,742	7,469	9,352	14,585
Consideration receivables in respect of disposal of Dongguan Electronic	—	17,319	10,000	10,000
Consideration receivables in respect of disposal of property, plant and equipments	1,190	21	—	—
Deposits and prepayments	5,327	6,592	5,052	27,948
Advances to third parties	—	4,437	2,300	3,182
Advances to staff	1,599	1,553	—	2,003
Other receivables	9,691	2,613	6,708	1,514
	30,742	48,844	55,355	93,412

Advances to suppliers mainly comprised deposits for purchase of raw materials and equipment. Advance to suppliers increased significantly to RMB21.9 million as of 31 December 2009 from RMB8.8 million as of 31 December 2008, primarily due to an increase in deposits to our copper suppliers as we increased the procurement of copper in response to increased customers' purchaser orders in late 2009, which in turn was driven by the general improvement in the global economic conditions. Such advances to suppliers further increased to RMB34.2 million as of 30 June 2010 from RMB21.9 million as of 31 December 2009, primarily due to the increased prepayments to our copper suppliers as we increased purchases of copper materials in May and June 2010 in anticipation of the increased production in the second half of 2010 and also after considering the trend of copper price increase since the mid-2009 and the increased prepayments to our equipment suppliers as we increased purchases of equipment mainly to expand our production capacity of internal signal cable assembly and wire & cable products. Deposits and prepayments increased from RMB5.1 million as of 31 December 2009 to RMB27.9 million as of 30 June 2010, primarily due to the outstanding deposits and prepayments of RMB21.2 million in relation to the copper futures contracts that we entered into for the purposes of hedging risks associated with copper price fluctuations. Consideration receivables in respect of disposal of Dongguan Electronic were related to the transfer of our 100% equity interests in Dongguan Electronic to third parties in July 2008. See the section headed "History, Reorganization and Group Structure — History and Development — Entity formerly forming part of the Group during the Track Record Period" in this document for details.

As of 30 September 2010, approximately RMB23.0 million of the RMB34.2 million advances to suppliers outstanding as of 30 June 2010 had been settled. As of 30 September 2010, approximately RMB121,996 of the RMB3.2 million advances to third parties outstanding as of 30 June 2010 had been settled. RMB1.8 million and RMB2.7 million of the advances to third parties as at 31 December 2009 and 30 June 2010 respectively relate to fund transfers to an independent third party supplier. Such supplier is engaged in the provision of galvanization services. At their requests, we have transferred such funds to them for their working capital purposes. The amounts receivables were non-trade, unsecured, interest-free and had no fixed terms of repayment. Our PRC legal advisor, Deheng Law Firm, has confirmed that under the relevant PRC laws and regulations, such fund transfer arrangement between us and the supplier will be deemed invalid, but the Group will not be subject to any administrative penalties because the amounts receivables were interest-free and the Group did not receive any interest from the fund transfers. The Directors confirmed that such balances has been fully settled before [●], and such fund transfer activities will not continue after [●]. As of 30 September 2010, approximately RMB10.0 million consideration receivables in respect of disposal of Dongguan Electronic outstanding as of 30 June 2010 had not been settled but such consideration receivables outstanding are expected to be settled in December 2010.

The following table sets forth the trade receivable with related parties as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Chenlin Trading[(1)]	—	12,171	6,730	—
Shenzhen Guanghuaxin[(2)]	—	—	26	—
Total:	**—**	**12,171**	**6,756**	—

Notes:

(1) An entity controlled by Mr. Chi, an executive Director and Controlling Shareholder of our Company.

(2) It refers to Shenzhen Guanghuaxin Plastic and Hardware Co., Ltd. (深圳光華鑫五金有限公司) ("Shenzhen Guanghuaxin"), an entity controlled by Mr. Yang Huahua, a director of a subsidiary of our Company. Shenzhen Guanghuaxin used to engage in the manufacture and sales of network cables for computer peripherals and the sales of plastic bags, lubricants, plastic hardware and electronics. Shenzhen Guanghuaxin is in the process of being deregistered.

Our above trade receivables with Chenlin Trading were incurred as we conducted a portion of our sales to overseas customers, depending on requests of such customers, through Chenlin Trading, which was our overseas holding company prior to the Reorganization. As we have set up our own subsidiary Hongxin International in Hong Kong to conduct such overseas sales, we do not expect to incur trade receivables with Chenlin Trading in connection with our overseas sales in the future. Our trade receivables with Shenzhen Guanghuaxin related to sales of our DC assembly cable products to it in the normal course of our business. As of 30 June 2010, all the above trade receivables with such related parties had been settled. The Directors are of the view that such transactions were conducted in the ordinary and normal course of our business and were on normal commercial terms. The Directors further confirm that the above transactions have already been discontinued and will not continue after [●].

The following table sets forth non-trade receivable with related parties included in the above other receivable balance as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Chenlin Trading(1)	2,283	—	—	—
Chenlin International(2)	—	—	4,884	—
Weihai Yushunrong(3)	—	2,080	—	—
Shenzhen Guanghuaxin(4)	—	—	1,590	—
Mr. Chi	111	239	—	—
Ms. Yang Fuwei(5)	—	—	2	—
Total:	**2,394**	**2,319**	**6,476**	—

Notes:

(1) An entity controlled by Mr. Chi, an executive Director and the Controlling Shareholder of our Company.

(2) An intermediate holding company 100%-owned by Mr. Chi and holding Mr. Chi's equity interests in our Company.

(3) An entity controlled by Mr. Chi Zhongmin (Mr. Chi's brother).

(4) An entity controlled by Ms. Yang Huahua, a director of a subsidiary of our Company. Shenzhen Guanghuaxin used to engage in the manufacture and sales of network cables for computer peripherals and the sales of plastic bags, lubricants, plastic hardware and electronics. Shenzhen Guanghuaxin is in the process of being deregistered.

(5) The spouse of Mr. Chi and a director of certain of our subsidiaries.

The Directors confirm that the balances set forth in the table above were non-trade in nature, unsecured, interest free and are repayable on demand. Our above non-trade receivables with related parties related to the advances to our shareholders and other related parties during the relevant periods. The Directors confirmed that the above transactions have already been discontinued and will not continue after [●].

As of 30 June 2010, all the outstanding non-trade receivables with such related parties had been settled.

Trade and Other Payables

Our trade payables represent amounts payable for purchases of raw materials and components from various suppliers. Our suppliers typically offer us credit terms up to 90 days from the time when the supplies are received by us from the suppliers. Bill payables principally represented the bank acceptance notes provided by us to our suppliers for payment of purchase prices of raw materials and other supplies.

The following table sets forth the ageing analysis of our trade and bills payables as at the end of each reporting period indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	169,973	57,414	174,271	202,479
Over 3 months but within 1 year	59,998	152,504	50,061	55,010
Over 1 year but within 2 year	13	530	549	666
	229,984	210,448	224,881	258,155

The following table set forth the turnover days of our trade and bills payables for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
Trade and bills payable turnover days	162	106	122	96

Our trade payables decreased from RMB139.0 million as of 31 December 2007 to RMB111.2 million as of 31 December 2008, primarily because (i) we reduced the purchases of wire & cable from third party suppliers as we increased the sourcing of such products internally from Weihai Cable and Changshu Cable, which significantly expanded their production capacities in 2008; and (ii) due to the global economic downturn, we reduced the procurement of supplies in late 2008 in order to mitigate the inventory impairment risk. Our trade payables increased from RMB111.2 million as of 31 December 2008 to RMB136.1 million as of 31 December 2009, primarily because (i) we started large scale copper drawing production processing, thus increasing the purchases of copper and plastic materials, and (ii) as the global economy started to recover, we increased procurement of supplies in response to the increased customers' purchaser orders in late 2009. Our trade payables increased from RMB136.1 million as of 31 December 2009 to RMB181.0 million as of 30 June 2010, primarily due to the increased purchase of supplies in line with increased sales.

The increase in bills payable from RMB91.0 million as of 31 December 2007 to RMB99.2 million as of 31 December 2008 was primarily due to the increased use of bank acceptance notes by us to settle the purchases of our supplies. Bills payable decreased from RMB99.2 million as of 31 December 2008 to RMB88.8 million as of 31 December 2009 as we reduced the amount of bank acceptance notes for the settlement of the purchases our raw materials and other suppliers. The decrease in bills payable from RMB88.8 million as of 31 December 2009 to RMB77.1 million as of 30 June 2010 was primarily attributable to a reduction in use of bank acceptance and other commercial notes to pay the purchases from our suppliers.

Substantially all of our trade and bills payables at the end of the relevant reporting periods were due within one year. Of our trade and bills payables outstanding as of 31 December 2007, 2008 and 2009 and 30 June 2010, those due within three months accounted for approximately 73.9%, 27.3%, 77.5% and 78.4% of total trade and bills payables, respectively.

Turnover days of trade and bills payable are derived by dividing the closing balances of trade and bills payables as of 31 December 2007, 2008 and 2009 and 30 June 2010 by the cost of sales for the corresponding period and multiplying by 365 days or 182.5 days.

Our trade and bills payable turnover days were 162 days, 106 days, 122 days and 96 days for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. The decrease in trade and bills payable turnover days from 162 days in 2007 to 106 days in 2008 was primarily because we started the volume production of LVDS assembly products in 2008 and obtained related supplies from a number of new suppliers, who offered us shorter credit terms whereas these suppliers extended our credit terms in 2009 as the business relationships between us and these suppliers further developed. The increase in trade and bills payable turnover days from 106 days in 2008 to 122 days in 2009 was primarily due to the overall increase in our trade and bills payables in 2009 as we increased the purchases of copper and plastic materials for our own large scale copper drawing production processing and increased the procurement of supplies in response to the increased customers' purchase orders as the global economy started to recover in the second half of 2009. The decrease in trade and bills payable turnover days from 122 days in 2009 to 96 days in the first half of 2010 was primarily attributable to the reduced use of bank acceptance and other commercial notes to pay the purchases from our suppliers as an increasing number of suppliers provided credit term to us, resulting in an increase in trade payables, which have shorter turnover days than bills payables.

As of 30 September 2010, approximately RMB144.4 million of the RMB181.0 million trade payables outstanding as of 30 June 2010 had been settled.

In addition to our trade and bill payables, our payables also consist of the following:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Receipts in advance from customers	1,591	56	1,068	116
Other tax payables	3,560	3,996	3,935	3,830
Payables for acquisition of property, plant and equipment	20,319	17,579	12,629	20,588
Payables for acquisition of prepayment lease payments	3,550	—	—	—
Payrolls and staff cost payables	28,316	25,080	10,989	17,086
Accrued expenses	5,572	4,413	7,682	9,318
Advances from staff	14,540	300	—	—
Advances from third parties	4,500	4,500	—	—
Other payables(1)	8,668	68,969	40,823	2,250
	90,616	124,893	77,126	53,188

Note:

(1) Other payables included primarily non-trade payables with related parties of approximately RMB4.9 million, RMB65.6 million, RMB34.6 million and nil as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. A breakdown analysis of such non-trade payables is included below in this section. Additional items under "Other payables" included, among others, (i) an advance of RMB2.1 million as of 31 December 2007 from friends of Mr. Chi, each an Independent Third Party; (ii) professional fees of RMB2.0 million as of 31 December 2008 for legal and other professional services; (iii) payables related to audit fees of RMB2.3 million, customer deposit of RMB1.4 million and other professional fees of RMB1.0 million as of 31 December 2009; and (iv) staff deposits of RMB0.5 million related to facility entry card and uniform, payables related to outsourced food supply of RMB0.3 million and professional fees of RMB0.5 million as of 30 June 2010.

Receipts in advance from customers comprised deposits for supply of our products to our customers. Payrolls and staff cost payables related to accrued payroll costs in respect of our Employee Share Scheme. We had advances from staff of approximately RMB14.5 million as of 31 December 2007 as relevant staff provided such advances for their anticipated participation in an employee share scheme we were about to implement in early 2008. However, we subsequently decided to restructure our employee share scheme and as such all the advances were then refunded to our employees in 2008. The final employee share scheme was then implemented in September 2008 as disclosed in the section headed "History, Reorganization and Group Structure — Reorganization — D. Transfer by Chenlin International of the Employee Shares and the Minority Shareholders' Shares" of the document.

As of 31 August 2010, all of the receipts in advance from customers outstanding as of 30 June 2010 had been settled.

The following table sets forth trade payables with related parties as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Weihai Yushunrong[(1)]	5,558	1,222	242	—
Total:	**5,558**	**1,222**	**242**	—

Note:
(1) An entity controlled by Mr. Chi Zhongmin (Mr. Chi's brother).

Our above trade payables with Weihai Yushunrong related to the purchases of a portion of our plastic materials from it during the relevant periods. The Directors are of the view that such transactions were conducted in the ordinary and normal course of our business and were on normal commercial terms. We have not purchased such materials from Weihai Yushunrong since May 2010. The Directors confirmed that the above transactions have already been discontinued and will not continue after [●]. As of 30 June 2010, all our trade payables with Weihai Yushunrong had been settled.

The following table sets forth non-trade payables with related parties included in the above other payables balance as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Chenlin Trading[(1)]	1,461	90	—	—
Chenlin International[(2)]	363	62,299	30,004	—
Mr. Chi	1,423	3,223	—	—
Mr. Chi Zhongmin[(3)]	240	—	—	—
Ms. Yang Fuwei[(4)]	240	—	—	—
Ms. Chen Ying[(5)]	1,160	—	—	—
Mr. Cheng Guanghua[(6)]	—	—	4,600	—
Total:	**4,887**	**65,612**	**34,604**	—

Notes:
(1) An intermediate holding company 100%-owned by Mr. Chi and holding Mr. Chi's equity interests in our Company.

(2) An entity controlled by Mr. Chi.

(3) The brother of Mr. Chi.

(4) The spouse of Mr. Chi and a director of certain of our subsidiaries.

(5) The spouse of Mr. Jiang Taike.

(6) A director of a subsidiary of our Company.

Our above non-trade payables with the relevant related parties related primarily to advances from various individual shareholders and other related individual, tax refund for reinvestment of distributable profits in the PRC, advances of certain shareholders for our PRC subsidiaries, and payables to employees for purchasing our shares under our Employee Share Scheme during the relevant periods. Our non-trade payables with Chenlin International as of 31 December 2008 consisted of (i) approximately RMB37.2 million of advances to us and (ii) approximately RMB25.1 million of payables to employees for purchasing our shares under our Employee Share Scheme. The RMB25.1 million of payables to employees for purchasing our shares under our Employee Share Scheme remained outstanding as of 31 December 2009. The Directors confirm that the balances set forth in the table above were non-trade in nature, unsecured, interest free and are repayable on demand. The Directors confirmed that the above transactions have already been discontinued and will not continue after [●]. As of 30 June 2010, all the outstanding advances from and other non-trade payables due to such related parties had been settled.

LIQUIDITY AND CAPITAL RESOURCES

Financial Resources

We have funded our operations and capital requirements from cash generated from our operations, trade credit from our suppliers and short-term bank borrowings. Our primary uses of cash have been for our increased working capital requirements, capital expenditures on purchases of production equipment and acquisition of land use rights for our production facilities in Weihai and Dezhou of Shandong Province, Suzhou of Jiangsu Province, Wuhan of Hubei Province and Shenzhen of Guangdong Province.

The following table sets forth a condensed summary of our consolidated cash flow statements for the periods indicated. Such summary of our consolidated statements of cash flow is extracted from the Accountants' Report included in Appendix I to this document and you should read the entire financial statements included therein, including the notes thereto, for more details.

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
NET CASH FROM (USED IN) OPERATING ACTIVITIES	10,753	1,743	470	33,505	(144,099)
NET CASH USED IN INVESTING ACTIVITIES	(91,953)	(117,525)	(70,495)	(40,059)	(38,641)
NET CASH FROM FINANCING ACTIVITIES	90,904	119,390	120,356	19,376	184,166
NET INCREASE IN CASH AND CASH EQUIVALENTS	9,704	3,608	50,331	12,822	1,426
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	10,101	19,805	23,413	23,413	73,744
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, Represented by bank balances and cash	19,805	23,413	73,744	36,235	75,170

Operating Activities

Net cash used in operating activities for the six months ended 30 June 2010 was RMB144.1 million. This amount was primarily attributable to profit before tax of RMB78.4 million, as mainly adjusted for an increase of RMB169.4 million in trade and other receivables and an increase of RMB69.7 million in inventories, which were partially offset by depreciation of property, plant and equipment of RMB18.0 million in relation to our plants, office buildings and equipment and finance costs of RMB8.9 million (consisting primarily of interest on our bank borrowings). Trade and other receivables increased in the first half of 2010 in line with the increased sales. Inventories increased in the first half of 2010 as (i) we increased purchases of copper materials during May and June 2010 in anticipation of increased production needs in the second half of 2010 and after considering the trend of copper price increase since the mid-2009 and (ii) we expanded production in response to increased customer demands and also in preparation for the anticipated increase in customer orders in the second half of the year.

Net cash inflow from operating activities for the year ended 31 December 2009 was RMB0.5 million. This amount was primarily attributable to profit before tax of RMB96.6 million, depreciation of property, plant and equipment of RMB28.2 million in relation to our plants, office buildings and equipment and finance costs of RMB13.9 million (consisting primarily of interest on our bank borrowings), partially offset by an increase of RMB92.1 million in trade and other receivables and a decrease of RMB28.4 million in trade and other payables. Trade and other receivables increased in 2009 primarily due to (i) increased sales to major Taiwan customers for which our normal credit term (120-180 days upon the issuance of invoices) is longer than that for Korean customers (60-90 days upon the issuance of invoices), which accounted for the relatively large portion of our sales in prior periods and (ii) an increase in customer purchaser orders in the second half of 2009 as the global economy started to recover. Trade and other payables decreased in 2009 primarily due to a decrease in non-trade payables with related parties as we settled advances (amounting to approximately RMB37.2 million as of 31 December 2008) from Chenlin International to us.

Net cash inflow from operating activities for the year ended 31 December 2008 was RMB1.7 million. This amount was primarily attributable to profit before tax of RMB66.1 million, an increase of RMB16.3 million in trade and other payables, depreciation of property, plant and equipment of RMB19.8 million in relation to our plants, office buildings and equipment, partially offset by an increase of RMB100.5 million in trade and other receivables. Trade and other payables increased in 2008 primarily due to an increase in non-trade payables with related parties mainly as we had advances (amounting to approximately RMB37.2 million as of 31 December 2008) from Chenlin International and incurred payables (amounting to approximately RMB25.1 million as of 31 December 2008) to Chenlin International related to payables to employees for purchasing our shares under our Employee Share Scheme. Trade and other receivables increased in 2008 primarily due to (i) increased sales, including an increase in sales of wire & cable products by Changshu Cable as it completed its start-up phase in the end of 2007 and developed its business in 2008 and (ii) consideration receivables (amounting to RMB17.3 million as of 31 December 2008) we recorded in respect of disposal of Dongguan Electronic as we transferred our 100% equity interests in Donguan Electronic to third parties in July 2008.

Net cash inflow from operating activities for the year ended 31 December 2007 was about RMB10.8 million. This amount was primarily attributable to profit before tax of RMB68.0 million, an increase of RMB44.1 million in trade and other payables, depreciation of property, plant and equipment of RMB12.2 million in relation to our plants, office buildings and equipment and finance costs of RMB9.1 million (consisting primarily of interest on our bank borrowings), partially offset by an increase of RMB52.3 million in trade and other receivables and an increase of RMB51.6 million in inventories. Trade and other payables increased in 2007 primarily due to (i) increased purchases of supplies as we expanded production in response to increased customer demand, (ii) increased payables for acquisition of property, plant and equipment (amounting to RMB20.3 million as of 31 December 2007) mainly because we expanded our production facilities and acquired additional equipment and machineries and (iii) advances from staff (amounting to RMB14.5 million as of 31 December 2007) we recorded in respect of advances of the relevant staff for their participation in a proposed employee share scheme which we initially planned to implement in early 2008, but subsequently decided to restructure, resulting in the full refund of such advances to our employees in 2008. Trade and other receivables increased in 2007 primarily due to increased sales. Inventories increased in 2007 as we increased purchases of raw materials and expanded our production in responses to expected increase in customer demand.

See "— Analysis of Financial Position — Inventories", "— Trade and Other Receivables" and "— Trade and Other Payables" for details on reasons for changes in inventories, accounts receivables and payables.

Investing Activities

We experienced significant growth in our business and operations during the Track Record Period and as a result, used an increasing amount of cash flows to fund our expansions, including the construction of new facilities and installation of additional production lines.

Net cash used in investing activities for the six months ended 30 June 2010 was RMB38.6 million. This amount was primarily attributable to payment for acquisition of property, plant and equipment of RMB40.3 million mainly for the acquisition of internal signal cable assembly equipment for our production facilities in Suzhou and Dezhou and, the construction of plants by Changshu Connecting-Technology and Dezhou Electronic, and prepaid lease payments of RMB11.5 million in relation to acquisition of land use rights for a production site by Weihai Electronic, partially offset by proceeds on disposals of property, plant and equipment and prepaid lease payments of RMB14.0 million as we disposed of the old plants and related land in Weihai while starting to use the new and expanded plants for production in the same area.

Net cash used in investing activities for the year ended 31 December 2009 was RMB70.5 million. This amount was primarily attributable to payment for acquisition of property, plant and equipment of RMB74.6 million mainly for the acquisition of wire & cable equipment for and expansion of external signal cable capacity in Weihai Cable and the acquisition of equipment for Changshu Huarui and Shenzhen Communication Technology, partially offset by proceeds on disposal of a subsidiary of RMB7.3 million as a result of our disposal of Dongguan Electronic.

Net cash used in investing activities for the year ended 31 December 2008 was RMB117.5 million. This amount was primarily attributable to payment for acquisition of property, plant and equipment of RMB102.1 million mainly for the construction of plant and acquisition of equipment by Changshu Connecting-Technology and the construction of building, acquisition of equipment and expansion of external signal cable and power cord capacity by Weihai Electronic.

Net cash used in investing activities for the year ended 31 December 2007 was RMB92.0 million. This amount was primarily attributable to (i) payment for acquisition of property, plant and equipment of RMB86.3 million mainly for the construction of plant and expansion of external signal cable capacity by Dezhou Electronic and the construction of plant and acquisition of equipment by Changshu Connecting-Technology and (ii) acquisition of prepaid lease payments of RMB7.1 million mainly for the purchase of a land parcel by us in Weihai for use as production facilities.

Financing Activities

Net cash inflow from financing activities for the six months ended 30 June 2010 was RMB184.2 million. This amount was primarily attributable to new bank borrowings of RMB452.9 million and proceeds of RMB34.1 million from issue of shares to Samford, partially offset by repayment of bank borrowings of RMB303.7 million.

Net cash inflow from financing activities for the year ended 31 December 2009 was RMB120.4 million. This amount was attributable to new bank borrowings of RMB544.4 million and proceeds from capital contribution in respect of certain of our subsidiaries of RMB10.2 million, partially offset by repayment of bank borrowings of RMB434.2 million.

Net cash inflow from financing activities for the year ended 31 December 2008 was RMB119.4 million. This amount was primarily attributable to new bank borrowings of RMB393.1 million and proceeds from issue of shares to owners of our Company of RMB38.9 million, partially offset by repayment of bank borrowings of RMB286.1 million and dividends paid to owners of our Company of RMB24.0 million.

Net cash inflow from financing activities for the year ended 31 December 2007 was RMB91.0 million. This amount was attributable to new bank borrowings of RMB210.4 million and proceeds from capital contribution in respect of certain of our subsidiaries of RMB18.1 million, partially offset by repayment of bank borrowings of RMB133.4 million.

Net Current Assets/Liabilities

We incurred net current liabilities of approximately RMB41.1 million, RMB69.5 million and RMB7.9 million as of 31 December 2007, 2008 and 2009, respectively. As of 30 June 2010, we had net current assets of approximately RMB71.0 million. Our net current liability position as of 31 December 2007, 2008 and 2009 was primarily due to the outstanding amounts of trade and other payables and short-term bank borrowing as at the end of the relevant reporting periods. We incurred significant amounts of trade and other payables during the relevant periods primarily due to our procurement of raw materials and other supplies for our production. See "— Analysis of Financial Position — Trade and Other Payables." The balance of our short-term bank borrowings as of the end of the relevant reporting periods increased significantly primarily because we borrowed an increasing amount of short-term bank loans mainly to finance the purchases of raw materials and other supplies during the three-year period ended 31 December 2009. We experienced significant growth in our business and operations over the three-year period. As we used an increasing amount of cash flows to fund our expansions, including the construction of new facilities and installation of additional productions lines, during that period, our property, plant and equipment experienced a significant increase between 31 December 2007 and 31 December 2009. See "— Analysis of Financial Position — Property, Plant and Equipment." In addition, as we typically kept our credit terms for our customers in line with the credit terms extended to us by our suppliers, we generally were able to use the proceeds of our trade and bills receivables for the settlement of our trade and bills payables during the relevant periods.

Net current liabilities increased from approximately RMB41.1 million as of 31 December 2007 to approximately RMB69.5 million as of 31 December 2008, primarily due to the increased balances of short-term banking borrowings. The significant decrease in net current liabilities from approximately RMB69.5 million as of 31 December 2008 to approximately RMB7.9 million as of 31 December 2009 was primarily due to (i) an increase in trade and other receivables from approximately RMB338.8 million as of 31 December 2008 to approximately RMB423.5 million as of 31 December 2009 (See "Analysis of Financial Position — Trade and Other Receivables"); and (ii) an increase in bank balances and cash from approximately RMB23.4 million as of 31 December 2008 to approximately RMB73.7 million as of 31 December 2009, generally in line with the increased sales in late 2009, in particular, in the fourth quarter of 2009 as compared to the fourth quarter of 2008. We had net current assets of approximately RMB71.0 million as of 30 June 2010 as compared to net current liabilities of approximately RMB7.9 million as of 31 December 2009, primarily due to (i) an increase in trade and other receivables from approximately RMB423.5 million as of 31 December 2009 to approximately RMB592.5 million as of 30 June 2010 as overall sales continued to increase in the first half of 2010; and (ii) an increase in inventories from approximately RMB115.6 million as of 31 December 2009 to approximately RMB185.3 million as of 30 June 2010 as we expanded production in response to the increased customer demand, which were partially offset by an increase in outstanding short-term banking borrowings from approximately RMB353.4 million as of 31 December 2009 to approximately RMB501.8 million as of 30 June 2010 in line with our increased production and sales in the first half of 2010. In addition, the US$5.0 million investment made by Samford in our Company also contributed to our net current asset position as of 30 June 2010. See "History, Reorganization and Corporate Structure — Investors — Samford."

As of 30 September 2010, we had net current assets of RMB74.8 million.

The following table sets forth the information on our current assets and current liabilities as of 30 September 2010:

	As of 30 September 2010
	RMB'000
Current Assets	
Prepaid lease payments	565
Inventories	176,261
Trade and other receivables	653,845
Restricted bank balance	39,046
Bank balance and cash	80,111
	949,828
Current Liabilities	
Trade and other payables	330,864
Derivative financial liabilities	940
Tax liabilities	9,697
Bank borrowings	533,559
	875,060
Net Current Assets	74,768

The Directors consider that the Group has sufficient funds to service the Group's indebtedness and to meet other known and reasonably foreseeable cash requirements based on resources that we generate internally and [●] obtained from [●].

Working Capital

We have historically financed our operations through cash from operating activities, bank borrowings and shareholder contributions. In the future, we expect to use funds from a combination of sources to fund our operation and expansion plan, including bank loans, internally generated cash flow, and [●] from [●]. In order to better manage its indebtedness and cash flow requirements, the Company will undertake an annual business plan and budget review. It will also conduct regular follow-up internal management meetings thereafter to determine the capital requirements, capital structure and indebtedness of the Group at the relevant time based on, among others, the following major factors before it undertakes any business or investment decision in order to ensure that the Group is able to service its indebtedness and to meet other reasonably foreseeable cash requirements:

(a) the current and future cash flow requirements;

(b) the debt repayment schedules of the loans of the Group;

(c) the appropriate idle and contingency capital required to be maintained;

(d) the expected return on potential investments;

(e) the assessed ability of the Group to raise additional equity or debt capital in view of current and future market conditions; and

(f) the projected cost of capital.

The Directors consider that, in view of the following, the Company has sufficient working capital at least for the period ending 12 months from the date of the document:

(a) working capital from our expected future sales and our ability to ensure prompt collections of trade receivable; our customers are mostly leading reputable companies in the global consumer electronic industry and we did not experience any difficulties and problems in our collection of trade and bill receivable from them and therefore we expect them to maintain their strong credit worthiness;

(b) our expected cash flow position from operating activities;

(c) our current business needs including the purchasing patterns of our copper raw materials and expansion plans;

(d) no material unforeseen capital expenditure;

(e) [●]; and

(f) our audited net current assets position as at 30 June 2010 and unaudited net current asset position as at 30 September 2010.

Taking into account our funds generated from operating activities, the estimated [●] from [●], our present banking facilities available with our banks and financial institutions and bank balances and cash, the Directors of the Company are of the opinion that the Group will have sufficient working capital for our working capital requirements for at least the next 12 months from the date of this document.

The Directors are also of the opinion even if without the estimated [●] from [●], the Company will have sufficient working capital going forward, albeit the growth of our Group will be slower without such [●] being available.

INDEBTEDNESS

Bank Borrowings

We typically use short-term borrowings in the course of operating our business. As of 31 December 2007, 2008 and 2009 and 30 June 2010, our total outstanding bank borrowings, all of which are short-term, amounted to approximately RMB140.2 million, RMB243.3 million, RMB353.4 million and RMB501.8 million, respectively.

The following table sets forth our bank borrowings as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Bank borrowings, due within one year:				
— Secured	108,515	199,429	240,833	186,569
— Unsecured	31,653	43,847	112,606	315,186
	140,168	243,276	353,439	501,755

During the Track Record Period, our short-term bank borrowings as of each of the relevant balance sheet dates increased significantly primarily to address our growing working capital needs as we expanded our operations by establishing new subsidiaries, installing new production lines and acquiring additional equipment and also because we from time to time were required to increase the production of certain of our products in response to increased orders from our customers.

Most of our bank borrowings are denominated in RMB. As of 31 December 2007, 2008 and 2009 and 30 June 2010, our foreign currency bank borrowings were all denominated in US dollars and amounted to approximately RMB73.6 million, RMB62.3 million, RMB57.7 million and RMB175.6 million, respectively.

As of 31 December 2009, we had banking facilities in the total amount of RMB490 million, of which approximately RMB327.5 million had been used. Of our banking facilities as of 31 December 2009, RMB180 million expires on 31 December 2010 and the remaining RMB310 million expires on 31 December 2011. As at the 30 September 2010, the Group has unutilized banking facilities of approximately RMB205.4 million and RMB372.1 million that is expected to expire as 31 December 2011 and 31 December 2012 respectively.

At the close of business on 30 September 2010, the Group had outstanding short-term bank borrowings of approximately RMB533,559,000.

The table below sets forth our short-term bank borrowings as at 30 September 2010:

	RMB'000
Bank borrowings	
— Secured	394,004
— Unsecured	139,555
	533,559

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 September 2010 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 September 2010.

Our short-term bank borrowings are arranged at fixed rates or variable rates. The following table sets forth our fixed rate and variable rate bank borrowings and the range of the effective interest rates of such bank borrowings as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The exposure of bank borrowings:				
— Fixed interest rate borrowings	120,082	148,995	308,175	474,311
— Variable interest rate borrowings	20,086	94,281	45,264	27,444
	140,168	243,276	353,439	501,755

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
Effective interest rates:				
Fixed interest rate borrowings	3.60% –10.50% per annum	2.40% –11.67% per annum	0.43% –6.12% per annum	0.30% –5.84% per annum
Variable interest rate borrowings	6.53% –7.71% per annum	4.60%–11.29% per annum	1.35% –5.31% per annum	1.2% –4.70% per annum

Operating Lease Arrangement

At the end of each reporting period, we were committed to make the following future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,203	510	480	15
Over one year but within two years, inclusive	383	68	100	650
Total:	**2,586**	**578**	**580**	**665**

Operating lease payments represent rentals payable by us for our plant, warehouse and office premise. The leases are generally negotiated for terms ranging from one to two years.

Capital Commitments

The following table presents our capital commitments as of the dates indicated.

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment:				
—contracted for but not provided in the Financial Information	39,776	13,665	2,207	12,992
—authorized but not contracted for	12,960	5,192	1,365	86,661
	52,736	18,857	3,572	99,653

Selected Financial Ratios

The following table sets forth our selected financial ratio information during the Track Record Period:

	2007	2008	2009	Six months ended 30 June 2010
Gearing ratio(1)	22.0%	30.2%	35.7%	39.9%
Return on equity(2)	36.8%	24.6%	27.9%	16.4%
Return on total assets(3)	9.8%	6.7%	8.9%	5.5%
Current ratio(4)	91.1%	88.1%	98.8%	108.6%
Quick ratio(5)	60.8%	68.2%	81.3%	86.1%

Notes:

(1) The gearing ratio is calculated by dividing bank borrowings with total assets as of the end of the relevant period, and then multiplying by 100%.

(2) Return on equity equals the profit attributable to owners of the Company divided by the equity attributable to owners of the Company as of the end of the relevant period, and then multiplying by 100%.

(3) Return on total assets equals the profit attributable to owners of the Company divided by the total assets of the Company as of the end of the relevant period, and then multiplying by 100%.

(4) The current ratio is calculated by dividing current assets with current liabilities as of the end of the relevant period.

(5) The quick ratio is calculated by dividing the balance of current assets less inventories and prepaid lease payments, with current liabilities as of the end of the relevant period.

Gearing Ratio

Our gearing ratio was 22.0%, 30.2%, 35.7% and 39.9% as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The increase in gearing ratio during the Track Record Period was in line with the increase in the level of our short-term bank borrowings as we used an increasing amount of such borrowings primarily to fund our operations as we expanded our production scale.

Return on Equity

Our return on equity was 36.8%, 24.6%, 27.9% and 16.4% as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Our return on equity as of 31 December 2008 decreased as compared to 31 December 2007 as our profit and total comprehensive income attributable to owners of the Company decreased from RMB62.7 million in 2007 to RMB54.4 million in 2008 while equity attributable to the owners of the Company as of 31 December 2008 increased as compared to

31 December 2007, primarily as a result of capital contribution made by SCGC in connection with its investment in our Company and the increased undistributed profits. The decrease in profit and total comprehensive income attributable to owners of the Company was primarily due to (i) the decrease in gross profit margin and increases in bad debt provision and provision for impairment of inventories that we experienced in 2008 as compared to 2007, mainly as a result of the negative impact of the economic downturn in 2008; and (ii) the significant increase in income tax expenses in 2008 as compared to 2007 mainly as a result of the recognition of a significant amount of withholding tax on our profits in 2008. See "— Results of Operations — Year ended 31 December 2008 Compared with Year ended 31 December 2007" for further details.

Our return on equity as of 31 December 2009 increased as compared to 31 December 2008 as our profit and total comprehensive income attributable to owners of the Company increased at a rate higher than the increase in equity attributable to owners of the Company as of 31 December 2009 as compared to 31 December 2008. Our profit and total comprehensive income attributable to owners of the Company increased by 62.3% from RMB54.4 million in 2008 to RMB88.3 million in 2009 primarily because (i) our profit margin increased as the economy started to recover and we expanded our efforts to develop our customer base and (ii) income tax expenses in 2009 decreased as compared to 2008 as we decided not to distribute profits for 2009 and thus did not record the withholding tax similar to that in 2008, while equity attributable to owners of the Company increased by 43.2% from RMB221.1 million as of 31 December 2008 to RMB 316.6 million as of 31 December 2009, primarily as a result of increased undistributed profits.

Our return on equity was 16.4% as of 30 June 2010. Equity attributable to owners of the Company increased by 33.9% from RMB316.6 million as of 31 December 2009 to RMB424.0 million as of 30 June 2010, primarily as a result of the increased undistributed profits and the US$5.0 million investment in our Company by Samford while profit and total comprehensive income attributable to owners of the Company in the first half of 2010 amounted to approximately RMB69.7 million, representing an increase of 123.4% from the first half of 2009 and accounting for 78.9% of profit and total comprehensive income attributable to owners of the Company for the whole year of 2009.

Return on Total Assets

Our return on total assets was 9.8%, 6.7%, 8.9% and 5.5% as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Our return on total assets as of 31 December 2008 decreased as compared to 31 December 2007 due to the decrease in our profit and total comprehensive income attributable to owners of the Company in 2008 as compared to 2007 as discussed above while total assets increased by 26.3% from RMB638.5 million as of 31 December 2007 to RMB806.6 million as of 31 December 2008 primarily as a result of (i) an increase in property, plant and equipment as of 31 December 2008 as compared to 31 December 2007 as we expanded our production and business scale in 2008; and (ii) an increase in trade and other receivables as of 31 December 2008 as compared to 31 December 2007 primarily due to increased sales in 2008.

Our return on total assets as of 31 December 2009 increased as compared to 31 December 2008 as our profit and total comprehensive income attributable to owners of the Company increased in 2009 at a rate higher than the increase in total asset as of 31 December 2009 as compared to 2008. Our profit and total comprehensive income attributable to owners of the Company increased by 62.3% from RMB54.4 million in 2008 to RMB88.3 million in 2009 as discussed above while total assets increased by 22.7% from RMB806.6 million as of 31 December 2008 to RMB989.5 million as of 31 December

2009 primarily as a result of (i) an increase in property, plant and equipment as of 31 December 2009 we expanded our production and business scale in 2009; and (ii) an increase in trade and other receivables as of 31 December 2009 as compared to 31 December 2008 in line with the increased sales in late 2009.

Our return on total assets was 5.5% as of 30 June 2010. While total assets increased by 27.2% from RMB989.5 million as of 31 December 2009 to RMB1,259.0 million as of 30 June 2010 primarily as a result of (i) an increase in property, plant and equipment as of 30 June 2010 as compared to 31 December 2009 as we continued to expand our production and business scale in the first half of 2010; (ii) increased trade and other receivables in line with the increase in overall sales in the first half of 2010 and (iii) increased inventories as we increased purchases of copper materials during May and June 2010 in anticipation of increased production needs in the second half of 2010 and after considering the trend of copper prices increase since the mid-2009 and as we expanded production in response to increased customer demands and also in preparation for anticipated increase in customer orders in the second half of the year, while profit and total comprehensive income attributable to owners of the Company in the first half of 2010 amounted to approximately RMB69.7 million, representing an increase of 123.4% from the first half of 2009 and accounting for 78.9% of profit and total comprehensive income attributable to owners of the Company for the whole year of 2009.

Current Ratio

Our current ratio was 91.1%, 88.1%, 98.8% and 108.6% as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Our current ratio decreased from 91.1% as of 31 December 2007 to 88.1% as of 31 December 2008 primarily due to a significant increase in short-term bank borrowings for our working capital needs as we used a significant portion of internal cash flows for purchases of new equipment for production of connector, external signal cable assembly and power cord assembly products in 2008.

Our current ratio increased from 88.1% as of 31 December 2008 to 98.8% as of 31 December 2009 as our current assets increased by 27.6% from RMB512.9 million as of 31 December 2008 to RMB654.7 million as of 31 December 2009 primarily due to increased trade and other receivables and bank deposits in line with the increased sales in late 2009 while our current liabilities increased by 13.8% from RMB582.4 million as of 31 December 2008 to RMB662.6 million as of 31 December 2009 primarily due to increased short-term bank borrowings.

Our current ratio increased from 98.8% as of 31 December 2009 to 108.6% as of 30 June 2010 as our current assets increased by 36.6% from RMB654.7 million as of 31 December 2009 to RMB894.3 million as of 30 June 2010 primarily due to (i) increased trade and other receivables in line with increase in overall sales in the first half of 2010 and (ii) increased inventories as we increased purchases of copper materials during May and June 2010 in anticipation of increased production needs in the second half of 2010 and after considering the trend of copper prices increase since the mid-2009 and as we expanded production in response to increased customer demands and also in preparation for anticipated increase in customer orders in the second half of the year while our current liabilities increased by 24.3% from RMB662.6 million as of 31 December 2009 to RMB823.3 million as of 30 June 2010 primarily due to (i) increased trade and other payables as we increased the purchases of raw materials in line with the expansion in production and (ii) increased short-term bank borrowings to fund our working capital requirements.

Quick Ratio

Our quick ratio was 60.8%, 68.2%, 81.3% and 86.1% as of 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The increase in our quick ratio during the Track Record Period reflected an improvement in our liquidity position and ability to meet short-term obligations.

During the Track Record Period, we borrowed an increasing amount of short-term bank borrowings to fund our working capital needs primarily because (i) we needed to use a significant portion of our cash flows to purchase copper materials as such purchases are typically made on a cash only basis or with a relatively short credit term of about 30 days while we generally offer our customers a credit term of 60 to 180 days upon issuance of invoice; and (ii) we spent an increasing amount of cash resources on capital expenditure. On the other hand, trade and other receivables increased during the Track Record Period (see "— Analysis of Financial Position — Trade and Other Receivables") and our bank balances and cash increased over the same period in part because we increasingly focused on trade receivable collection. As the outstanding balances of trade and other receivables and the amount of bank balances and cash as of the end of the relevant periods increased at a higher rate than our current liabilities, our quick ratio increased accordingly during the Track Record Period.

CAPITAL EXPENDITURES

During the Track Record Period, our capital expenditures primarily related to the acquisitions of land use rights, the construction of production and other facilities, and the purchases of equipment and machineries. For the years ended 31 December 2007, 2008 and 2009 and the six months ended June 2010, our capital expenditures amounted to approximately RMB107.7 million, RMB105.2 million, RMB72.2 million and RMB63.2 million, respectively.

We anticipate that the funds needed to finance our capital expenditures will be financed by cash generated from our operations, bank borrowings, finance lease obligations, as well as [●] from [●]. If necessary, we may raise additional funds on terms that are acceptable to us.

We expect our current plans with respect to future major capital expenditures to continue to primarily relate to the acquisition of land use rights, construction of production and other facilities and purchase of equipment and machineries as we expand our business operations in line with the strategies as disclosed in the "Business — Business Strategies" section of the document. Based on the existing business plan of the Company which might be subject to change depending on various factors, including but not limited to, the actual steps to be taken by the Company in implementing its business plan, such as acquisitions, overall economic environment, state of the global consumer electronics industry and any business strategies adopted by the Company to respond to changes in market conditions, we expect the key capital expenditure to be made in relation to the acquisition of land use rights, construction of production and other facilities, and purchase of equipment and machineries to be in the range of RMB30.0 million to RMB50.0 million, RMB240.0 million to RMB260.0 million, and RMB210.0 million to RMB230.0 million in 2011, respectively, and nil, RMB60.0 million to RMB80.0 million, and RMB70.0 million to RMB90.0 million in 2012, respectively. As we continue to expand, we may incur additional capital expenditures.

Our ability to obtain additional funding in the future is subject to a variety of uncertainties, including our future results of operations, financial condition and cash flows, as well as economic, political and other conditions in the PRC, Hong Kong and other jurisdiction(s) in which we operate.

CONTINGENT LIABILITIES

As of 31 December 2007, 2008 and 2009 and 30 June 2010, we had no material contingent liabilities.

OFF-BALANCE SHEET ARRANGEMENTS

As of 30 June 2010, we did not have any material off-balance sheet arrangements.

MARKET RISKS

We are exposed to various types of market risks in the normal course of our business, including primarily interest rate risk, currency risk and commodity price risk.

Interest Rate Risk

Our fair value interest rate risk relates primarily to its fixed-rate bank borrowings and pledged deposits. We are also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly restricted bank balances, bank balances and cash, and bank borrowings which are carried at prevailing market interest rates. It is our policy to keep our borrowings at floating interest rates so as to minimize the fair value interest rate risk. We currently do not use any derivative contracts to hedge our exposure to interest rate risk. However, our management monitor interest rate exposure and will consider hedging significant interest rate risk if and when such need arises.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and variable-rate bank borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole reporting period. If interest rates on bank balances had been 5 basis points higher or lower, interest rates on variable-rate bank borrowings had been 50 basis points higher or lower and all other variables were held constant, the potential effect on post-tax profit for each of the relevant reporting periods is as follows:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Increase (decrease) in post-tax profit for the year/period	(87)	(379)	(174)	(88)

In the Directors' opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the reporting period end exposures do not reflect the exposure during the reporting period.

Currency Risk

We undertake certain transactions denominated in foreign currency and as a result, are exposed to exchange rate fluctuation risks. We currently do not use any derivative contracts to hedge against our exposure to foreign currency risk. However, we manage our foreign currency risk by closely monitoring the movement of the foreign currency rate.

The following table sets forth the carrying amount of the foreign currency denominated monetary assets and monetary liabilities as of the dates indicated:

	As of 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
US dollars	101,478	165,147	220,537	270,718
Taiwan dollars	—	—	—	14,940
	101,478	165,147	220,537	285,658
Liabilities				
US dollars	138,479	138,886	97,579	212,584

Our foreign currency exposure is primarily related to the US dollars.

The following table details our sensitivity to a 10% increase and decrease in the RMB against US dollars or Taiwan dollars with respect to each of the relevant reporting periods. The 10% is the sensitivity rate used when reporting currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in the foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the reporting period end for a 10% change in foreign currency rates. The sensitivity analysis includes bank borrowings, trade and other payable, trade and other receivables and bank balances denominated in currencies other than functional currencies of the relevant entities of our Group. A positive number below indicates an increase in post-tax profit or a decrease in post-tax loss where RMB strengthens 10% against US dollar or Taiwan dollar for the year/period.

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
US dollars	3,567	(2,166)	(11,263)	(5,202)
Taiwan dollars	—	—	—	(1,494)

For a 10% weakening of RMB against US dollar, there would be an equal and opposite impact on the profit or loss, and the balances above would be negative.

In the Directors' opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the exposure at the end of each reporting period does not reflect the exposure during each of the respective reporting periods.

Commodity Price Risk

Our commodity price risk is mainly the exposure to fluctuations in the prevailing market price of copper cathodes which are the major raw materials purchased by us. To minimize this risk, we enter into commodity derivative contracts to manage our exposure in relation to forecasted purchases of copper cathodes. Depending on then prevailing business requirements and fluctuation of copper prices, the Company will continue to enter into similar derivative financial instrument in accordance with its hedging policy after [●]. The sensitivity analysis below has been determined based on the Group's exposure to copper cathode price risks (which moves in line with copper concentrates and copper related products) arising from derivative financial instruments outstanding at the end of each reporting period. It is based on the assumption that there would be a 5% change in copper cathode price with all other variables held constant.

If the price of the commodity derivative purchase contracts had been 5% higher:

	As of 31 December			At of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit would increase by	—	51	—	58

If the price of the commodity derivative sale contracts had been 5% higher:

	As of 31 December			At of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit would (decrease) by	—	—	—	(89)

If the copper price had been 5% lower, there would be an equal and opposite impact on the post-tax profit.

In the Directors' opinion, the sensitivity analysis is unrepresentative of the inherent commodity price risk as the reporting period end exposure does not reflect the exposure during the relevant reporting period.

PROPERTY INTERESTS

Details relating to our property interests are set out in Appendix IV to this document. BMI Appraisals Limited, an independent property valuation firm, has valued the properties owned and leased by us as of 31 August 2010. The text of their letters, summaries of values and valuation certificates are set out in Appendix IV to this document.

A reconciliation of the net book value of the relevant leasehold buildings and prepaid lease payments as at 31 August 2010 to their fair value as stated in Appendix IV to this document is as follows:

	RMB'000
Net book value of property interests of the Group as at 30 June 2010	
Buildings	132,327
Prepaid land lease payments	27,133
	159,460
Movements for the period from 1 July 2010 to 31 August 2010	
Less: depreciation during the period (unaudited)	1,113
Less: amortization during the period (unaudited)	143
Net book value as at 31 August 2010 (unaudited)	158,204
Valuation surplus (unaudited)	71,066
Valuation of properties as at 31 August 2010	229,270

DIVIDEND AND DIVIDEND POLICY

We currently do not have a fixed dividend policy. The declaration, payment and amount of dividends in the future will be subject to the discretion of the Board and will depend on our results of operations, cash flows, financial condition, statutory and regulatory restrictions on the payment of dividends by us or our operating subsidiaries in the PRC, future prospects and other factors that our Directors may consider relevant. If any dividends are declared and paid by us, holders of our Shares will be entitled to receive such dividends pro rata according to the amounts paid up or credited as paid up on the Shares. The declaration, payment, and amount of dividends will be subject to the discretion of the Directors.

Dividends may be paid only out of our distributable profits as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There can be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Prior to the Reorganization, dividends in the amount of approximately RMB0.3 million were paid by Weihai Cable to its then shareholders for the year ended 31 December 2007 and dividends in amount of RMB24.0 million were paid by Weihai Electronic to its then shareholders for the years ended 31 December 2008. The shareholders of the PRC Subsidiaries resolved that the remaining profits from operations of our PRC Subsidiaries for the two years ended 31 December 2009 and their profits from operation for the year ending 31 December 2010 will be retained and will not be distributed.

DISCLOSURE UNDER THE RELEVANT RULES

Our Directors have confirmed that there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 of the relevant rules, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the relevant rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position, mortgage, guarantees or prospects of our Group since 30 June 2010, the date to which the latest audited financial statements of our Group were made up.

FUTURE PLANS

Please see the section entitled "Business — Business Strategies" in this document for a detailed description of our future plans.

The following is the text of report, prepared for the purpose of incorporation in this document, received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte.
德勤

德勤 · 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

[●] 2010

The Directors
HL Technology Group Limited
[●]

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to HL Technology Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 and the six months ended 30 June 2010 (the "Track Record Periods"), for inclusion in the document of the Company dated [●] 2010 (the "document") in connection with [●] ([●]) of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 16 November 2007. Pursuant to a group reorganization (the "Group Reorganization"), as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Group Structure" to the document, the Company became the holding company of the Group on 30 January 2008.

Particulars of the Company's subsidiaries at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of establishment/ incorporation	Fully paid registered capital as at the date of this report	Attributable equity interest held by the Company as at					Principal activities
			31 December			30 June 2010	the date of this report	
			2007	2008	2009			
			%	%	%	%	%	
Directly held by the Company								
威海市泓淋電子有限公司@ (Weihai Honglin Electronic Co., Ltd.*) ("Weihai Electronic") (see note (b) below)	The People's Republic of China (the "PRC") 27 November 1997	US$20,000,000	100	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors and investment holding

Name of subsidiary	Place and date of establishment/ incorporation	Fully paid registered capital as at the date of this report	Attributable equity interest held by the Company as at					Principal activities
			31 December			30 June	the date of this	
			2007	2008	2009	2010	report	
			%	%	%	%	%	
Indirectly held by the Company								
威海市泓淋電線電纜有限公司# (Weihai Honglin Wire & Cable Co., Ltd.*) ("Weihai Cable") (see note (c) below)	PRC 30 July 2003	US$8,000,000	90	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
常熟泓淋電子有限公司# (Changshu Honglin Electronic Co., Ltd.*) ("Changshu Electronic")	PRC 10 June 2002	US$5,000,000	100	100	100	100	100	Manufacture and sales of signal cables and wire harness
常熟泓淋電線電纜有限公司# (Changshu Honglin Wire & Cable Co., Ltd.*) ("Changshu Cable") (see note (d) below)	PRC 25 August 2006	US$4,100,050	90	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
常熟泓淋連接技術有限公司# (Changshu Honglin Connecting-Technology Co., Ltd.*) ("Changshu Connecting-Technology") (see note (e) below)	PRC 1 March 2004	US$7,700,050	98.46	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
德州泓淋電子有限公司# (Dezhou Honglin Electronic Co., Ltd.*) ("Dezhou Electronic")	PRC 13 March 2006	US$3,000,000	100	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
武漢市泓淋電子有限公司# (Wuhan Honglin Electronic Co., Ltd.*) ("Wuhan Electronic")	PRC 11 October 2005	US$1,000,000	100	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
東莞泓淋電子有限公司# (Dongguan Honglin Electronic Co., Ltd.*) ("Dongguan Electronic") (see note (f) below)	PRC 11 June 2007	US$3,000,000	100	N/A	N/A	N/A	N/A	Manufacture and sales signal cable assembly, power cord assembly, wire and cable products and connectors

Name of subsidiary	Place and date of establishment/ incorporation	Fully paid registered capital as at the date of this report	Attributable equity interest held by the Company as at 31 December 2007	31 December 2008	31 December 2009	30 June 2010	the date of this report	Principal activities
			%	%	%	%	%	
常熟華銳精密電子有限公司## (Changshu Huarui Precision Electronics Co., Ltd.*) ("Changshu Huarui")	PRC 18 April 2009	RMB20,000,000	N/A	N/A	51	51	51	Manufacture and sales of iron panel and aluminium plate used for computer keyboards
深圳市泓淋通訊科技有限公司## (Shenzhen Honglin Communication Technology Co., Ltd.*) ("Shenzhen Communication Technology")	PRC 5 November 2009	RMB6,000,000	N/A	N/A	80	80	80	Manufacture and sales of router antenna, WIFI antenna and telephone antenna
Hongxin International Limited ("Hongxin International")	Hong Kong 22 February 2010	HK$1.00	N/A	N/A	N/A	100	100	Trading of signal cable assembly, power cord assembly, wire and cable products and other products
泓淋科技有限公司 (Honglin Technology Co., Ltd.*) ("Honglin Technology")	Taiwan 21 July 2010	TW$70,000,000	N/A	N/A	N/A	N/A	100	Marketing, research and developments of signal cable assembly, power cord assembly, wire and cable products and other products
重慶市泓淋科技有限公司 (Chongqing Honglin Technology Co., Ltd.*) ("Chongqing Technology")	PRC 27 August 2010	RMB10,000,000	N/A	N/A	N/A	N/A	100	Manufacture and sales of signal cables and wire harness

Notes:

(a) With the exception of Hongxin International and Honglin Technology which were incorporated in Hong Kong and Taiwan, respectively with limited liability, the other subsidiaries of the Company were established in the PRC in one of the following legal forms:

@ wholly foreign-owned limited liabilities enterprises
# sino-foreign joint ventures
domestic limited liability enterprises

(b) 青島泓淋電子有限公司 (Qingdao Honglin Electronic Co., Ltd.*, "Qingdao Electronic") was a private limited company established in the PRC on 20 February 2004. The company was engaged in the manufacture and sale of signal cable assembly, power cord assembly, wires and cables and, prior to Qingdao Electronic Merger (as defined below), the registered capital of Qingdao Electronic was US$1,000,000.

As at 1 January 2007, Qingdao Electronic was owned as to 55%, 20% and 25% by Weihai Electronic, 青島興亞電子有限公司 (Qingdao Xingya Electronic Co., Ltd.*, "Xingya") and Jung Woo CNC ("Jung Woo"), respectively.

Pursuant to an agreement between Weihai Electronic, Xingya, Jung Woo and Chenlin International Trading Company ("Chenlin Trading") in May 2007, Qingdao Electronic merged its operations and businesses with Weihai Electronic (the "Qingdao Electronic Merger"). Subsequent to the Qingdao Electronic Merger, Xingya and Jung Woo held 0.95% and 1.19% equity interests, respectively, in Weihai Electronic and then subsequently transferred their entire respective shareholdings in Weihai Electronic to Chenlin Trading. As a result, Weihai Electronic remained as a wholly owned subsidiary of Chenlin Trading. Pursuant to the Group Reorganization, Weihai Electronic became a direct wholly owned subsidiary of the Company.

(c) As at 1 January 2007, Weihai Cable was owned as to 75%, 15% and 10% by Weihai Electronic, Chenlin Trading and Win Forever Electric Wire (H.K.) Limited ("Win Forever"), respectively. Win Forever which is wholly owned by Mr. Jiang Taihong, a brother of Mr. Jiang Taike, holds the 10% equity interest in Weihai Cable on trust for Mr. Jiang Taike. Mr. Jiang Taike is a shareholder and a director of the Company.

威海市泓淋塑膠有限公司 (Weihai Honglin Plastic Co., Ltd.*, "Weihai Plastic") was a sino-foreign joint venture company established in the PRC on 30 December 2001. The company was engaged in the manufacture and sale of plastic materials and, prior to Weihai Plastic Merger (as defined below), the registered capital of Weihai Plastic was US$1,000,000.

As at 1 January 2007, Weihai Plastic was owned as to 57.5%, 12.5%, 15% and 15% by Weihai Electronic, Chenlin Trading, 上海滬展塑料有限公司 (Shanghai Huzhan Plastic Co., Ltd.*, "Huzhan") and Yu Shun Rong Plastics Co., Ltd. ("Yu Shun Rong"), respectively.

Pursuant to an agreement between Weihai Cable and Weihai Plastic in November 2006, Weihai Plastic merged its operations and businesses with Weihai Cable (the "Weihai Plastic Merger"). Subsequent to the Weihai Plastic Merger, Weihai Electronic, Chenlin Trading, Huzhan, Yu Shun Rong and Win Forever owned as to 69.16%, 14.17%, 5%, 5% and 6.67% equity interests, respectively, in Weihai Cable.

On 17 August 2007, Weihai Cable increased its registered capital from US$3,000,000 to US$5,000,000. Subsequent to the capital contribution, Weihai Electronic, Chenlin Trading, Huzhan, Yu Shun Rong and Win Forever owned as to 68.96%, 15.80%, 4.06%, 4.06% and 7.12% equity interests, respectively, in Weihai Cable.

Pursuant to the agreement between Yu Shun Rong, Chenlin Trading and Hongkong Tiger Electrical Industry Company ("Hongkong Tiger") on 18 August 2007, Yu Shun Rong transferred its 1.18% and 2.88% interests in Weihai Cable to Chenlin Trading and Hongkong Tiger, respectively. Pursuant to the agreement between Huzhan and Chenlin Trading on 18 August 2007, Huzhan transferred its 4.06% interest in Weihai Cable to Chenlin Trading. Pursuant to the agreement between Win Forever and Hongkong Tiger on 18 August 2007, Win Forever transferred its 7.12% interest in Weihai Cable to Hongkong Tiger. Mr. Jiang Taike owns the entire equity interest in Hongkong Tiger.

Subsequent to the above changes in the shareholdings in Weihai Cable, as at 31 December 2007, Weihai Cable was owned as to 68.96%, 21.04% and 10% by Weihai Electronic, Chenlin Trading and Hongkong Tiger, respectively. Pursuant to the Group Reorganization, Weihai Cable became an indirect wholly owned subsidiary of the Company.

(d) As at 31 December 2007, Changshu Cable was owned as to 75%, 15% and 10% by Weihai Electronic, Chenlin Trading and Hongkong Tiger, respectively. Pursuant to the Group Reorganization, Changshu Cable became an indirect wholly owned subsidiary of the Company.

(e) As at 31 December 2007, Changshu Connecting-Technology was owned as to 63.85%, 34.61% and 1.54% by Weihai Electronic, Chenlin Trading and 台灣宏麟國際科技有限公司 (Taiwan Hunglin International Technology Co., Ltd.), respectively. Pursuant to the Group Reorganization, Changshu Connecting-Technology became an indirect wholly owned subsidiary of the Company.

(f) As at 31 December 2007, Dongguan Electronic was owned as to 75% and 25% by Weihai Electronic and Chenlin Trading, respectively. As explained in note 32, on 24 October 2008, Weihai Electronic and the Company disposed of their equity interests in Dongguan Electronic to United Asia Metal & Machine Co ("United Metal") and 裕順榮塑膠五金製品(深圳)有限公司 (Yu Shun Rong Plastics Hardware Products (Shenzhen) Co., Ltd.*, "Yu Shun Rong (Shenzhen)") and accordingly, Dongguang Electronic ceased to be an indirect wholly owned subsidiary of the Group.

* The English names are for identification purpose only

The Company and its subsidiaries have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company since its date of incorporation as there is no such statutory requirement for the Company to prepare statutory audited financial statements.

No audited financial statements have been prepared for Hongxin International as its first statutory financial statements which cover the period from its date of incorporation to 31 December 2010 is not due to be issued.

The statutory financial statements of the Company's PRC subsidiaries for the three years ended 31 December 2009 or since their respective dates of incorporation or establishment, where this is a shorter period, were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC:

Name of subsidiary	Financial period	Name of auditor
Weihai Electronic	For the year ended 31 December 2007	威海永然會計師事務所有限公司 (Weihai Yongran Certified Public Accountants Co., Ltd.*)
	For the two years ended 31 December 2009	山東藍海會計師事務所 (Shandong Blue Sea Certified Public Accountants*)
Weihai Cable	For the year ended 31 December 2007	Weihai Yongran Certified Public Accountants Co., Ltd.
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Changshu Electronic	For the year ended 31 December 2007	蘇州恒安會計師事務所 (Suzhou Heng'an Certified Public Accountants*)
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Changshu Cable	For the year ended 31 December 2007	Suzhou Heng'an Certified Public Accountants
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Changshu Connecting-Technology	For the year ended 31 December 2007	Suzhou Heng'an Certified Public Accountants
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Dezhou Electronic	For the year ended 31 December 2007	德州德信有限責任會計師事務所 (Dezhou Dexin Certified Public Accountants Co., Ltd.*)
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Wuhan Electronic	For the year ended 31 December 2007	武漢德誠聯合會計師事務所 (Wuhan Decheng Joint Certified Public Accountants*)
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Dongguan Electronic	For the year ended 31 December 2007	廣東正量會計師事務所有限公司 (Guangdong Zhengliang Certified Public Accountants Co., Ltd.*)
Changshu Huarui	For the period from 18 April 2009 to 31 December 2009	Shandong Blue Sea Certified Public Accountants
Shenzhen Communication Technology	For the period from 5 November 2009 to 31 December 2009	Shandong Blue Sea Certified Public Accountants

* The English names are for identification purpose only

Note: Qingdao Electronic and Weihai Plastic were deregistered on 6 December 2007 and 28 June 2007, respectively and accordingly, Qingdao Electronic and Weihai Plastic did not prepare any statutory financial statements for the year ended 31 December 2007.

No audited financial statements have been prepared for the Company and its subsidiaries for the six months ended 30 June 2010 as there is no such statutory requirement.

For the purposes of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline [●] as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Periods set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 of Section I below. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for inclusion in this document.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the document in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section I below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, and of the consolidated results and consolidated cash flows of the Group for the Track Record Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2009 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "30 June 2009 Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2009 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

I. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	NOTES	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	8	652,628	897,999	872,396	366,566	635,680
Cost of sales		(517,283)	(723,211)	(674,422)	(283,765)	(491,706)
Gross profit		135,345	174,788	197,974	82,801	143,974
Other gains and losses	9	10,821	(2,506)	8,273	1,620	(1,958)
Distribution and selling expenses		(14,809)	(18,891)	(20,480)	(8,981)	(12,859)
Administrative and general expenses		(30,915)	(45,422)	(47,978)	(22,282)	(29,039)
Research and development expenses		(23,152)	(26,280)	(27,278)	(12,212)	(12,735)
Finance costs	10	(9,117)	(15,625)	(13,924)	(6,746)	(8,929)
Share of loss of an associate		(214)	—	—	—	—
Profit before taxation	11	67,959	66,064	96,587	34,200	78,454
Income tax expenses	13	(2,449)	(11,529)	(8,090)	(3,354)	(8,253)
Profit and total comprehensive income for the year/period		65,510	54,535	88,497	30,846	70,201
Profit and total comprehensive income attributable to:						
— Owners of the Company		62,663	54,402	88,265	31,240	69,701
— Non-controlling interests		2,847	133	232	(394)	500
		65,510	54,535	88,497	30,846	70,201
Earnings per share — basic (RMB cents)	15	13.2	11.2	16.9	6.0	13.3

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company			
		As at 31 December			At 30 June	As at 31 December			At 30 June
	NOTES	2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS									
Property, plant and equipment	16	193,782	268,408	308,576	325,960	—	—	—	—
Prepaid lease payments	17	17,264	16,904	16,544	26,568	—	—	—	—
Intangible assets	18	1,868	4,029	5,821	8,631	—	—	—	—
Deferred tax assets	19	4,518	4,435	3,904	3,499	—	—	—	—
Investments in subsidiaries	20	—	—	—	—	—	200,135	268,828	268,828
Interest in an associate	21	1,210	—	—	—	—	—	—	—
		218,642	293,776	334,845	364,658	—	200,135	268,828	268,828
CURRENT ASSETS									
Inventories	22	139,116	115,309	115,594	185,306	—	—	—	—
Trade and other receivables	23	241,327	338,798	423,521	592,455	—	36,908	7,184	21,025
Derivative financial assets	24	—	—	—	1,774	—	—	—	1,774
Prepaid lease payments	17	360	360	360	565	—	—	—	—
Restricted bank balances	25	19,272	34,976	41,471	39,046	—	—	—	14,940
Bank balances and cash	26	19,805	23,413	73,744	75,170	363	109	2,375	6,053
		419,880	512,856	654,690	894,316	363	37,017	9,559	43,792
CURRENT LIABILITIES									
Trade and other payables	27	320,600	335,341	302,007	311,343	363	4,101	9,892	11,316
Derivative financial liabilities	24	—	920	—	1,202	—	—	—	886
Income tax liabilities		204	2,859	7,139	8,970	—	3,110	6,200	5,816
Bank borrowings	28	140,168	243,276	353,439	501,755	—	—	—	—
		460,972	582,396	662,585	823,270	363	7,211	16,092	18,018
NET CURRENT (LIABILITIES) ASSETS		(41,092)	(69,540)	(7,895)	71,046	—	29,806	(6,533)	25,774
TOTAL ASSETS LESS CURRENT LIABILITIES		177,550	224,236	326,950	435,704	—	229,941	262,295	294,602

		The Group				The Company			
		As at 31 December			At 30 June	As at 31 December			At 30 June
	NOTES	2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES									
Paid-in capital/share capital	29	127,401	60,943	60,943	62,894	—	60,943	60,943	62,894
Reserves	30	42,680	160,203	255,615	361,078	—	168,998	201,352	231,708
Equity attributable to owners of the Company		170,081	221,146	316,558	423,972	—	229,941	262,295	294,602
Non-controlling interests		7,469	—	10,392	11,732	—	—	—	—
Total equity		177,550	221,146	326,950	435,704	—	229,941	262,295	294,602
NON-CURRENT LIABILITIES									
Deferred tax liabilities	19	—	3,090	—	—	—	—	—	—
		177,550	224,236	326,950	435,704	—	229,941	262,295	294,602

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Paid-in capital/ share capital	Share premium	Special reserve	Share awards reserve	Other reserve	Statutory surplus reserve	(Accumulated losses) retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (note (a) below)	RMB'000	RMB'000	RMB'000 (note (b) below)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	84,809	—	—	—	—	5,535	(1,762)	88,582	9,606	98,188
Capital contribution of subsidiaries	17,362	—	—	—	—	—	—	17,362	773	18,135
Acquisition of non-controlling interests in subsidiaries	—	—	—	—	1,642	—	—	1,642	(5,646)	(4,004)
Capitalization of retained earnings in respect of subsidiaries (see note (c))	25,230	—	—	—	—	—	(25,230)	—	—	—
Profit and total comprehensive income for the year	—	—	—	—	—	—	62,663	62,663	2,847	65,510
Transfer	—	—	—	—	—	7,864	(7,864)	—	—	—
Dividends	—	—	—	—	—	—	(168)	(168)	(111)	(279)
At 31 December 2007	127,401	—	—	—	1,642	13,399	27,639	170,081	7,469	177,550
Capital contribution of subsidiaries	2,265	—	—	—	—	—	—	2,265	—	2,265
Acquisition of non-controlling interests in subsidiaries	—	—	—	—	2,824	—	—	2,824	(7,602)	(4,778)
Issue of shares to owners of the Company (see note 29)	2,390	2,388	—	—	—	—	—	4,778	—	4,778
Issue of shares upon Group Reorganization (see note 29)	(74,394)	—	74,394	—	—	—	—	—	—	—
Issue of shares to SCGC Capital (see note 29)	3,281	30,848	—	—	—	—	—	34,129	—	34,129
Recognition of equity-settled share-based payments (see note 31)	—	—	—	(23,333)	—	—	—	(23,333)	—	(23,333)
Profit and total comprehensive income for the year	—	—	—	—	—	—	54,402	54,402	133	54,535
Transfer	—	—	—	—	—	7,257	(7,257)	—	—	—
Dividends	—	—	—	—	—	—	(24,000)	(24,000)	—	(24,000)
At 31 December 2008	60,943	33,236	74,394	(23,333)	4,466	20,656	50,784	221,146	—	221,146
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	10,160	10,160
Recognition of equity-settled share-based payments (see note 31)	—	—	—	7,147	—	—	—	7,147	—	7,147
Profit and total comprehensive income for the year	—	—	—	—	—	—	88,265	88,265	232	88,497
Transfer	—	—	—	—	—	12,389	(12,389)	—	—	—
At 31 December 2009	60,943	33,236	74,394	(16,186)	4,466	33,045	126,660	316,558	10,392	326,950

	Attributable to owners of the Company								Non-controlling interests	Total
	Paid-in capital/ share capital	Share premium	Special reserve	Share awards reserve	Other reserve	Statutory surplus reserve	(Accumulated losses) retained profits	Total		
	RMB'000	RMB'000	RMB'000 (note (a) below)	RMB'000	RMB'000	RMB'000 (note (b) below)	RMB'000	RMB'000	RMB'000	RMB'000
Capital contribution from shareholder of the Company	1,951	32,189	—	—	—	—	—	34,140	—	34,140
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	840	840
Recognition of equity-settled share-based payments (see note 31)	—	—	—	3,573	—	—	—	3,573	—	3,573
Profit and total comprehensive income for the period	—	—	—	—	—	—	69,701	69,701	500	70,201
At 30 June 2010	62,894	65,425	74,394	(12,613)	4,466	33,045	196,361	423,972	11,732	435,704
At 1 January 2009	60,943	33,236	74,394	(23,333)	4,466	20,656	50,784	221,146	—	221,146
Capital contribution from non-controlling interests in subsidiaries	—	—	—	—	—	—	—	—	9,800	9,800
Recognition of equity-settled share-based payments (see note 31)	—	—	—	3,573	—	—	—	3,573	—	3,573
Profit and total comprehensive income for the period	—	—	—	—	—	—	31,240	31,240	(394)	30,846
At 30 June 2009 (unaudited)	60,943	33,236	74,394	(19,760)	4,466	20,656	82,024	255,959	9,406	265,365

Notes:

(a) Special reserve

Special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of paid-in capital of the subsidiaries acquired pursuant to the Group Reorganization.

(b) Statutory surplus reserve

As stipulated by the relevant laws and regulations for enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. The appropriations to such reserve are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries. The statutory surplus reserve fund can be used to make up prior period/year losses, if any, and can be applied in conversion into capital by means of capitalization issue.

(c) Capitalization of retained earnings in respect of subsidiaries

During the year ended 31 December 2007, two subsidiaries of the Group, Weihai Electronic and Weihai Cable, capitalized retained earnings of RMB23,116,000 and RMB2,114,000, respectively as capital for that year.

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December 2007	2008	2009	Six months ended 30 June 2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES						
Profit before tax		67,959	66,064	96,587	34,200	78,454
Adjustments for:						
Finance costs		9,117	15,625	13,924	6,746	8,929
Interest income		(368)	(503)	(455)	(310)	(138)
Share of loss of an associate		214	—	—	—	—
Depreciation of property, plant and equipment		12,172	19,777	28,192	12,715	17,964
Amortization of intangible assets		227	392	674	313	575
Release of prepaid lease payments		132	360	360	180	161
Losses on disposals of property, plant and equipment and prepaid lease payments		306	171	614	304	75
Changes in fair value of derivative financial instruments		—	4,637	(3,029)	(1,106)	1,752
Gain on disposal of Dongguan Electronic	32	—	(3,311)	—	—	—
Gain on disposal of technology know-how		—	—	(4,500)	—	—
Allowances for trade and other receivables — net		272	4,636	7	431	478
Impairment loss recognized in respect of interest in an associate		—	1,210	—	—	—
Write-down of inventories		—	4,483	1,334	137	—
Exchange gains relating to bank borrowings		(3,616)	(3,888)	(33)	(18)	(870)
Share-based payments		—	1,787	7,147	3,573	3,573
Operating cash flows before movements in working capital		86,415	111,440	140,822	57,165	110,953
(Increase) decrease in trade and other receivables		(52,265)	(100,521)	(92,070)	8,006	(169,412)
(Increase) decrease in inventories		(51,641)	2,774	(1,619)	19,896	(69,712)
Increase (decrease) in trade and other payables		44,109	16,280	(28,384)	(41,892)	1,377
Settlement of derivative financial instruments		—	(3,717)	2,109	(671)	(2,324)
Cash generated from operations		26,618	26,256	20,858	42,504	(129,118)
Income taxes paid		(5,976)	(5,701)	(6,369)	(2,158)	(6,017)
Interest paid		(9,889)	(18,812)	(14,019)	(6,841)	(8,964)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		10,753	1,743	470	33,505	(144,099)
INVESTING ACTIVITIES						
Interest received		368	503	455	310	138
Purchase of property, plant and equipment		(86,321)	(102,124)	(74,564)	(51,116)	(40,340)
Purchase of prepaid lease payments		(7,136)	(3,550)	—	—	(11,487)
Purchase of intangible assets		(649)	(2,584)	(2,466)	(1,017)	(3,385)
Additional capital contribution in respect of investment in an associate		(506)	—	—	—	—
Proceeds on disposals of property, plant and equipment and prepaid lease payments		654	1,571	756	155	14,008
Proceeds on disposal of Dongguan Electronic	32	—	4,363	7,319	4,842	—
Proceeds on disposal of technology know-how		—	—	4,500	—	—

	NOTES	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Decrease (increase) in restricted bank balances		1,637	(15,704)	(6,495)	6,767	2,425
NET CASH USED IN INVESTING ACTIVITIES		(91,953)	(117,525)	(70,495)	(40,059)	(38,641)
FINANCING ACTIVITIES						
New borrowings raised		210,441	393,127	544,359	253,310	452,883
Capital contribution of subsidiaries		18,135	2,265	10,160	9,800	840
Capital contribution from owners of the Company		—	38,907	—	—	34,140
Repayments of borrowings		(133,389)	(286,131)	(434,163)	(243,734)	(303,697)
Acquisition of non-controlling interests in subsidiaries		(4,004)	(4,778)	—	—	—
Dividends paid		(279)	(24,000)	—	—	—
NET CASH FROM FINANCING ACTIVITIES		90,904	119,390	120,356	19,376	184,166
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,704	3,608	50,331	12,822	1,426
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		10,101	19,805	23,413	23,413	73,744
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash		19,805	23,413	73,744	36,235	75,170

E. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands on 16 November 2007.

The address of the registered office and the principal place of business of the Company are set out in the Section "Corporate Information" to the document.

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

The Financial Information of the Group is 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).

2. BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

Pursuant to the Group Reorganization to rationalize the structure of the Group in preparation for [●], the Company became the holding company of the Group on 30 January 2008 as a result of the Company acquiring from Chenlin Trading, which is wholly owned by Mr. Chi, its entire equity interest in Weihai Electronic in consideration for 52,500,000 ordinary shares to be issued to Chenlin International Joint Stock Company Limited ("Chenlin International"), which is also wholly owned by Mr. Chi. During the period from January to March 2008, Chenlin Trading further transferred its then equity interests in Weihai Cable, Changshu Electronic, Changshu Cable, Changshu Connecting-Technology, Dezhou Electronic, Wuhan Electronic and Dongguan Electronic (Weihai Electronic, together with its subsidiaries, namely Weihai Cable, Changshu Electronic, Changshu Cable, Changshu Connecting-Technology, Dezhou Electronic, Wuhan Electronic and Dongguan Electronic, are hereinafter collectively referred to as the "Weihai Electronic Group") to the Company in consideration for 28,510,323 ordinary shares of the Company to be issued to Chenlin International. In addition, the Company acquired the non-controlling interests in Weihai Cable, Changshu Cable and Changshu Connecting-Technology from their then shareholders for a total consideration of US$700,000. The details of the above share transactions are set out in note 29.

The Group comprising the Company and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity. The Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group throughout the Track Record Periods.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow of the Group have been prepared as if the current group structure had been in existence throughout the Track Record Periods, or since the respective dates of establishment of the relevant companies now comprising the Group where this is a shorter period, except for those subsidiaries that were either acquired, merged or disposed of during the Track Record Periods which were accounted for from the respective effective dates of acquisition or up to the respective dates of merger or disposal.

The consolidated statement of financial position of the Group as at 31 December 2007 has been prepared to present the assets and liabilities of the companies now comprising the Group as at 31 December 2007 as if the current group structure had been in existence at that date.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information of the Group for the Track Record Periods, the Group has consistently applied a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs), amendments and the related Interpretations ("IFRICs") (hereinafter collectively referred to as the "new IFRSs") which are effective on 1 January 2010, with the following exceptions:

IFRS 3 (2008) "*Business Combinations"* has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. IFRS 3 (2004) "*Business Combinations"* has been applied to business combinations for which the acquisition date is before 1 January 2010.

IAS 27 (2008) "*Consolidated and Separate Financial Statements"* has been applied consistently throughout the Track Record Periods except the amendment for attributing total comprehensive income to the owners of the Company and non-controlling interests even if this results in the non-controlling interests having a deficit balance, which has been applied prospectively from 1 January 2010.

Other new IFRSs have been applied consistently throughout the Track Record Periods.

At the date of this report, the Group has not applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

IFRSs (Amendments)	Improvements to IFRSs May 2010(1)
IAS 24 (Revised)	Related Party Disclosures(3)
IAS 32 (Amendment)	Classification of Right Issues(2)
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters(4)
IFRS 7 (Amendment)	Transfers of Financial Assets(6)
IFRS 9	Financial Instruments(5)
IFRIC — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement(3)
IFRIC — INT 19	Extinguishing Financial Liabilities with Equity Instruments(4)

(1) Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

(2) Effective for annual periods beginning on or after 1 February 2010

(3) Effective for annual periods beginning on or after 1 January 2011

(4) Effective for annual periods beginning on or after 1 July 2010

(5) Effective for annual periods beginning on or after 1 January 2013

(6) Effective for annual periods beginning on or after 1 July 2011

The directors of the Company anticipate that the application of these new or revised standards and interpretations will have no material impact on the Financial Information of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs issued by the IASB. These policies have been consistently applied throughout the Track Record Periods. In addition, the Financial Information includes applicable disclosures required by the relevant rules.

Basis of consolidation

The Financial Information incorporated the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Periods (other than business combinations involving entities under common control) are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Starting from 1 January 2010, total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Changes in the Group's ownership interest in a subsidiary that result in the Group losing control over the subsidiary

- *Prior to 1 January 2010*

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between the consideration received and the carrying amount of the share of net assets disposed of.

- *On or after 1 January 2010*

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "*Financial Instruments: Recognition and Measurement*" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Merger accounting

In applying merger accounting, the Financial Information incorporates the financial statement items of the combining entities or businesses as if they had been combined from the earliest date presented.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented, regardless of the date of the combination.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the Track Record Periods.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in this Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognized when goods are delivered and title has passed.

Service income is recognized when the services are provided.

Interest income from a financial asset, other than a financial asset at fair value through profit or loss, is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally classified as finance lease. To the extent the allocation of the lease payments can be made reliably, leasehold land is classified as finance leases if substantially all the risk and rewards incidental to ownership of the land element is transferred to the Group. In other cases, leasehold land is classified as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly to equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the year/period in which they are incurred.

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants not related to depreciable assets are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss in the period in which the item is derecognized.

Prepaid lease payments

Prepaid lease payments represent payments for leasehold land and are released over the lease terms on a straight-line basis. Prepaid lease payments which are to be released in the next twelve months or less are classified as current assets.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on non-current assets below).

Gains or losses arising form derecognition of an intangible asset are measured at the difference between the net disposed proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.

- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment of non-current assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other gains and losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group comprise financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank balances and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL of the Group comprise financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including bank borrowings and trade and other payables) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. If the Group retains substantially all the risks and rewards of the ownership of a transferred asset, the Group continues to recognize the financial asset and recognize a collateralized borrowing for proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amounts of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Share based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of equity instruments granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share awards reserve).

At the end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with at corresponding adjustment to share awards reserve.

5. KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period.

(a) Estimated impairment of inventories

The Group assesses periodically if the inventories have been suffered from any impairment in accordance with the accounting policy stated in note 4. The amount of the impairment loss is measured as the difference between inventories' cost and net realizable values.

The identification of impairment of inventories requires the use of judgment and estimates of expected net realizable value. Where the actual net realizable value is different from the original estimate, a material impairment loss may arise. The directors of the Company are satisfied that this risk is minimal and adequate allowance for obsolete and slow moving inventories was provided during the Track Record Periods. As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the carrying amounts of inventories are approximately RMB139,116,000, RMB115,309,000, RMB115,594,000 and RMB185,306,000 respectively (net of inventory write-down of nil, RMB4,483,000, RMB3,893,000 and RMB2,049,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively).

(b) Estimated impairment of trade and other receivables

As explained in note 4, trade and other receivables are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method less impairment. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The Group does not require collateral or other security against its trade and other receivables. The Group performs ongoing evaluation of the financial conditions of the Group's trade and other receivables and when the balances would not be settled as expected, the Group would impair the balances and make necessary provision for such trade and other receivables.

The identification of bad and doubtful debts on trade and other receivables requires the use of judgment and estimates of expected future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. The directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts was provided during the Track Record Periods. As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the carrying amounts of trade and other receivable are approximately RMB241,327,000, RMB338,798,000, RMB423,521,000 and RMB592,455,000 respectively (net of allowance for doubtful debts of RMB272,000, RMB4,908,000, RMB3,347,000 and RMB3,825,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively).

(c) Useful life and residual value of property, plant and equipment

The management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions and may vary significantly as a result of technical innovation and keen competition from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged for the Track Record Periods.

The capital structure of the Group and the Company consists of bank borrowings, restricted bank balances, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as raising of new borrowings or the repayment of existing borrowings.

7. FINANCIAL INSTRUMENTS

(a) *Categories of financial instruments*

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
— Loan and receivables (including cash and cash equivalents)	262,142	374,286	502,389	629,958	363	37,017	9,559	31,099
— FVTPL — Held for trading (derivative financial assets)	—	—	—	1,774	—	—	—	1,774
	262,142	374,286	502,389	631,732	363	37,017	9,559	32,873
Financial liabilities								
— Liabilities measured at amortized cost	450,045	570,152	642,761	799,834	363	4,101	9,892	10,234
— FVTPL — Held for trading (derivative financial liabilities) . .	—	920	—	1,202	—	—	—	886
	450,045	571,072	642,761	801,036	363	4,101	9,892	11,120

(b) *Financial risk management objectives and polices*

The Group's and the Company's major financial instruments include trade and other receivables, trade and other payables, bank borrowings, derivative financial instruments, restricted bank balances and bank balances and cash. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged for the Track Record Periods.

(c) *Market risk*

The Group's and the Company's activities expose it primarily to the market risks including interest rate risk (see note 7 (c) (i) below), foreign currency risk (see note 7 (c) (ii) below) and commodity price risk (see note 7 (c) (iii) below).

There has been no change to the Group's and the Company's exposures to these market risks or the manner in which it manages and measures the risks for the Track Record Periods.

(i) *Interest rate risk management*

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings and pledged deposits. The Group and the Company are also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly restricted bank balances, bank balances and cash and bank borrowings which carried at prevailing market interest rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and variable-rate bank borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year/period.

If interest rates on bank balances had been 5 basis points higher/lower, interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the potential effect on post-tax profit is as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Increase (decrease) in post-tax profit for the year/period . . .	(87)	(379)	(174)	(88)	—	—	1	3

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposures do not reflect the exposure during the year/period.

(ii) Foreign currency risk management

Foreign currency risk is the risk that the holding of foreign currency assets and liabilities will affect the Group's and the Company's position as a result of a change in foreign currency exchanges rates. Certain trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables and bank borrowings of the Group and the Company are denominated in foreign currencies, details of which are set out in respective notes, expose the Group and the Company to foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to foreign currency risk. However the Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of respective reporting period are as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS								
United States Dollars ("USD")	101,478	165,147	220,537	270,718	363	489	9,176	16,150
Taiwan Dollars ("TWD")	—	—	—	14,940	—	—	—	14,940
	101,478	165,147	220,537	285,658	363	489	9,176	31,090
LIABILITIES								
USD	138,479	138,886	97,579	212,584	363	90	5,614	10,234

The Group is mainly exposed to the currency of the USD.

The following table details the Group's sensitivity to a 10% increase and decrease in RMB against USD or TWD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 10% change in foreign currency rates. The sensitivity analysis includes bank borrowings, trade and other payables, trade and other receivables and bank balances denominated in currencies other than functional currency of the relevant group entities.

A positive (negative) number below indicates an increase/(decrease) in post-tax profit where RMB strengthen 10% against USD or TWD for the year/period.

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	3,567	(2,166)	(11,263)	(5,202)	—	(40)	(356)	(592)
TWD	—	—	—	(1,494)	—	—	—	(1,494)

For a 10% weakening of the RMB against USD or TWD, there would be an equal and opposite impact on the profit/loss, and the balances above would be negative.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposures do not reflect the exposure during the Track Record Periods.

(iii) Commodity price risk

The Group's commodity price risk is mainly the exposure to fluctuations in the prevailing market price of copper which are the major raw materials purchased by the Group and the details of which are set out in note 24.

The sensitivity analysis below has been determined based on the Group's exposure to copper price risks arising from derivative financial instruments outstanding at the end of each reporting period. It is based on the assumption that there would be a 5% change in copper forward contract prices with all other variables held constant.

If the copper forward purchase contract price had been 5% higher:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit would increase by	—	51	—	58	—	—	—	44

If the copper forward sale contract price had been 5% higher:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit would (decrease) by	—	—	—	(89)	—	—	—	(89)

If the copper forward contract price had been 5% lower, there would be an equal and opposite impact on the post-tax profit.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent commodity price risk as the year/period end exposures do not reflect the exposure during the Track Record Periods.

(d) Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 in relation to each class of recognized financial assets is the carrying amounts of those assets as stated in the respective consolidated statement of financial position.

In order to minimize the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as the Group's trade receivables as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 of approximately RMB81,158,000, RMB94,937,000 and RMB102,238,000 and

RMB147,808,000 respectively, representing 45%, 42%, 35% and 36% of total trade receivables, respectively, were derived from five major customers. In order to minimize the credit risk, the directors of the Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts. The Group has no significant concentration of credit risk on the remaining trade receivables, with exposure spread over a number of counterparties and customers.

The Group has concentration of credit risk on liquid funds which are deposited mainly with several banks in the PRC. However, the credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation or banks with good credit rating assigned by international credit-rating agencies and with good reputation.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000
The Group					
Non-derivative financial liabilities					
As at 31 December 2007					
Trade and other payables	—	199,327	110,550	309,877	309,877
Variable interest rate borrowings	6.95	12,568	8,036	20,604	20,086
Fixed interest rate borrowing	7.01	59,188	64,241	123,429	120,082
		271,083	182,827	453,910	450,045
As at 31 December 2008					
Trade and other payables	—	219,301	107,575	326,876	326,876
Variable interest rate borrowings	7.49	58,810	37,334	96,144	94,281
Fixed interest rate borrowing	5.98	86,452	65,945	152,397	148,995
		364,563	210,854	575,417	570,152
As at 31 December 2009					
Trade and other payables	—	194,554	94,768	289,322	289,322
Variable interest rate borrowings	4.57	6,217	40,326	46,543	45,264
Fixed interest rate borrowing	4.21	131,824	179,433	311,257	308,175
		332,595	314,527	647,122	642,761
As at 30 June 2010					
Trade and other payables	—	245,470	52,609	298,079	298,079
Variable interest rate borrowings	3.12	17,668	9,980	27,648	27,444
Fixed interest rate borrowing	4.53	216,988	264,858	481,846	474,311
		480,126	327,447	807,573	799,834

	Weighted average interest rate	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000
The Group					
Derivative financial instruments					
As at 31 December 2007					
Commodity derivative contracts	—	—	—	—	—
As at 31 December 2008					
Commodity derivative contracts	—	920	—	920	920
As at 31 December 2009					
Commodity derivative contracts	—	—	—	—	—
As at 30 June 2010					
Commodity derivative contracts	—	1,202	—	1,202	1,202
The Company					
Non-derivative financial liabilities					
As at 31 December 2007					
Trade and other payables	—	363	—	363	363
As at 31 December 2008					
Trade and other payables	—	2,251	1,850	4,101	4,101
As at 31 December 2009					
Trade and other payables	—	2,829	7,063	9,892	9,892
As at 30 June 2010					
Trade and other payables	—	9,691	543	10,234	10,234
Derivative financial instruments					
As at 31 December 2007					
Commodity derivative contracts	—	—	—	—	—
As at 31 December 2008					
Commodity derivative contracts	—	—	—	—	—
As at 31 December 2009					
Commodity derivative contracts	—	—	—	—	—
As at 30 June 2010					
Commodity derivative contracts	—	886	—	886	886

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(f) Fair value of financial instruments

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The fair value of derivative instruments is calculated using quoted prices.

Fair value measurements recognized in the consolidated statements of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The derivative financial assets with carrying values of approximately nil, nil, nil and RMB1,774,000 and the derivative financial liabilities with carrying values of approximately nil, RMB920,000, nil and RMB1,202,000 at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively, are Level 1 measurements.

There were no transfers between Level 1 and 2 during the Track Record Periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate to their fair values at the end of each reporting period.

8. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the net amounts received and receivable for sales of goods sold to customers during the Track Record Periods.

(b) Segment information

The Group's chief operating decision maker has been identified as the chief executive officer of the Company who reviews the business as the following reportable segments by products:

- External signal cable assembly
- Internal signal cable assembly
- Power cord assembly
- Wire and cable
- Connectors
- Other products

The above segments have been identified on the basis of internal management reports prepared and regularly reviewed by the chief executive officer of the Company 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 Track Record Periods:

	External signal cable assembly	Internal signal cable assembly	Power cord assembly	Wire and cable	Connectors	Other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2007							
Segment revenue	314,932	72,281	59,726	142,218	1,441	62,030	652,628
Segment results	72,916	12,850	10,865	28,228	117	10,369	135,345
Year ended 31 December 2008							
Segment revenue	427,241	83,941	115,284	173,446	23,086	75,001	897,999
Segment results	86,365	21,229	17,904	34,733	3,479	11,078	174,788
Year ended 31 December 2009							
Segment revenue	322,490	126,630	170,156	172,069	36,145	44,906	872,396
Segment results	74,229	32,308	31,769	46,056	9,871	3,741	197,974
Six months ended 30 June 2010							
Segment revenue	160,359	137,354	112,810	153,212	20,376	51,569	635,680
Segment results	36,603	38,039	19,862	30,165	6,242	13,063	143,974
Six months ended 30 June 2009 (Unaudited)							
Segment revenue	159,799	42,735	69,819	64,374	16,752	13,087	366,566
Segment results	37,245	12,093	12,830	15,976	3,462	1,195	82,801

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the Track Record Periods.

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, finance costs and share of loss of an associate are not entirely allocated to each reportable segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Reportable segment results	135,345	174,788	197,974	82,801	143,974
Unallocated income and expenses:					
— Other gains and losses	10,821	(2,506)	8,273	1,620	(1,958)
— Distribution and selling expenses	(14,809)	(18,891)	(20,480)	(8,981)	(12,859)
— Administrative and general expenses	(30,915)	(45,422)	(47,978)	(22,282)	(29,039)
— Research and development expenses	(23,152)	(26,280)	(27,278)	(12,212)	(12,735)
— Finance costs	(9,117)	(15,625)	(13,924)	(6,746)	(8,929)
— Share of loss of an associate	(214)	—	—	—	—
Profit before taxation	67,959	66,064	96,587	34,200	78,454
Income tax expenses	(2,449)	(11,529)	(8,090)	(3,354)	(8,253)
Profit after taxation	65,510	54,535	88,497	30,846	70,201

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 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:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue analyzed by:					
China, not including Hong Kong	474,877	636,776	643,096	257,430	508,117
Korea	138,168	136,849	115,827	72,472	105,238
Hong Kong	—	70,076	53,924	12,374	4,442
Other countries and areas	39,583	54,298	59,549	24,290	17,883
	652,628	897,999	872,396	366,566	635,680

iii. Information about major customers

The following table sets forth a breakdown of the Group's customers individually accounted for over 10% of the Group's total revenue during the Track Record Periods:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
— Customer A	165,179	176,188	145,147	65,966	82,393

9. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income	368	503	455	310	138
Government grants (note (a) below)	10,609	1,119	1,360	747	939
Losses on disposals of property, plant and equipment	(306)	(171)	(614)	(304)	(75)
Net foreign exchange gains (losses)	150	(1,421)	(457)	(239)	(1,208)
Gain on disposal of technology know-how (see note (b) below)	—	—	4,500	—	—
Changes in fair value of derivative financial instruments (see note 24)	—	(4,637)	3,029	1,106	(1,752)
Gain on disposal of Dongguan Electronic (see note 32)	—	3,311	—	—	—
Impairment loss in respect of interest in an associate (see note 21)	—	(1,210)	—	—	—
	10,821	(2,506)	8,273	1,620	(1,958)

Notes:

(a) The amounts represent non-recurring government subsidies received from the finance bureau of Weihai Economic and Technological Development Zone and committee of Shandong Linyi Economic and Technological Development Zone as incentives for business and technological development of the Group.

(b) During the year ended 31 December 2009, the Group disposed of its utility patent in respect of computer cable technology know-how to a third party for a consideration of RMB4,500,000.

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on borrowings wholly repayable within five years	9,889	18,812	14,019	6,841	8,964
Less: Amount capitalized in respect of cost of qualified assets	(772)	(3,187)	(95)	(95)	(35)
	9,117	15,625	13,924	6,746	8,929

The weighted average capitalization rate on funds borrowed generally was 5.98%, 9.11%, 6.13%, 6.13% and 5.16% during the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively.

11. PROFIT BEFORE TAXATION

Profit for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff cost (including directors' emoluments)					
— Salaries and other benefits	58,084	65,054	69,647	44,640	68,534
— Retirement benefit scheme contributions	2,391	4,544	4,754	2,086	2,483
— Share-based payments (see note 31)	—	1,787	7,147	3,573	3,573
	60,475	71,385	81,548	50,299	74,590
Depreciation and amortization:					
— Property, plant and equipment	12,172	19,777	28,192	12,715	17,964
— Intangible assets (included in administrative and general expenses)	227	392	674	313	575
	12,399	20,169	28,866	13,028	18,539
Release of prepaid lease payments	132	360	360	180	161
Cost of inventories recognized as an expense (note)	517,283	723,211	674,422	283,765	491,706
Auditors' remuneration	11	1,062	3,726	1,658	1,082
Allowance for (reversal of) doubtful debts relating to:					
— trade receivables	—	3,176	347	431	536
— other receivables	272	1,460	(340)	—	(58)
	272	4,636	7	431	478

Note: Included in the cost of inventories recognized as an expense is an amount of approximately nil, RMB4,483,000, RMB1,334,000 and RMB137,000 and nil for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively related to the write-down of closing inventories.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

Details of the emoluments paid to the directors of the Company for the Track Record Periods are as follows:

	Year ended 31 December 2007				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	140	2	—	142
— Mr. Jiang Taike	—	74	2	—	76
— Mr. Li Jianming	—	87	2	—	89
— Mr. Tseng Chih-ming	—	—	—	—	—
— Mr. Sui Shikai	—	91	2	—	93
— Mr. Mao Wanjun	—	81	2	—	83
— Mr. Kang Jin Won	—	—	—	—	—
Non-executive directors:					
— Ms. Xu Yiming	—	25	—	—	25
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	498	10	—	508

	Year ended 31 December 2008				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	130	2	—	132
— Mr. Jiang Taike	—	71	2	—	73
— Mr. Li Jianming	—	104	2	48	154
— Mr. Tseng Chih-ming	—	—	—	—	—
— Mr. Sui Shikai	—	43	2	51	96
— Mr. Mao Wanjun	—	57	2	73	132
— Mr. Kang Jin Won	—	—	—	—	—
Non-executive directors:					
— Ms. Xu Yiming	—	35	—	—	35
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	440	10	172	622

	Year ended 31 December 2009				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	125	2	—	127
— Mr. Jiang Taike	—	160	2	—	162
— Mr. Li Jianming	—	92	2	191	285
— Mr. Tseng Chih-ming	—	44	—	—	44
— Mr. Sui Shikai	—	104	2	202	308
— Mr. Mao Wanjun	—	109	2	293	404
— Mr. Kang Jin Won	—	35	—	—	35
Non-executive directors:					
— Ms. Xu Yiming	—	107	—	—	107
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	776	10	686	1,472

	Six months ended 30 June 2009 (Unaudited)				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	62	1	—	63
— Mr. Jiang Taike	—	80	1	—	81
— Mr. Li Jianming	—	46	1	96	143
— Mr. Tseng Chih-ming	—	22	—	—	22
— Mr. Sui Shikai	—	52	1	101	154
— Mr. Mao Wanjun	—	54	1	146	201
— Mr. Kang Jin Won	—	17	—	—	17
Non-executive directors:					
— Ms. Xu Yiming	—	53	—	—	53
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	386	5	343	734

	Six months ended 30 June 2010				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	91	2	—	93
— Mr. Jiang Taike	—	106	2	—	108
— Mr. Li Jianming	—	73	2	96	171
— Mr. Tseng Chih-ming	—	28	—	—	28
— Mr. Sui Shikai	—	76	2	101	179
— Mr. Mao Wanjun	—	82	2	146	230
— Mr. Kang Jin Won	—	109	—	—	109
Non-executive directors:					
— Ms. Xu Yiming	—	68	—	—	68
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	633	10	343	986

During the Track Record Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the Track Record Periods.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 4, 3, 3 and 3 and 3 were directors of the Company for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively, details of whose emoluments are included in the disclosures in (a) above.

The emoluments of the remaining individuals during the Track Record Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and allowances	82	164	155	77	101
Retirement benefit scheme contributions	2	5	2	1	4
Share-based payments	—	114	454	227	227
	84	283	611	305	332

The emoluments of the five highest paid individuals, others than directors, during the Track Record Periods were within HK$1,000,000.

During the Track Record Periods, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax					
— PRC Enterprise Income Tax ("EIT")	4,119	5,246	7,559	4,324	10,115
— Overprovision of EIT in prior years/periods	—	—	—	—	(2,267)
— Withholding tax paid	—	3,110	3,090	3,090	—
	4,119	8,356	10,649	7,414	7,848
Deferred tax: (note 19)					
— Current year/period	(217)	1,675	(2,559)	(4,060)	405
— Attributable to a change in tax rate	(1,453)	1,498	—	—	—
	(1,670)	3,173	(2,559)	(4,060)	405
	2,449	11,529	8,090	3,354	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 Track Record Periods.

The applicable tax rates of the Company's PRC subsidiaries for the Track Record Periods are as follows:

	Notes	Year ended 31 December			Six months ended 30 June
		2007	2008	2009	2010
		%	%	%	%
Weihai Electronic	a	10.0	15.0	15.0	15.0
Weihai Cable	b	7.5	9.0	10.0	22.0
Changshu Electronic	c	33.0	—	—	12.5
Changshu Cable	d	—	—	12.5	12.5
Changshu Connecting-Technology	e	33.0	—	—	12.5
Dezhou Electronic	f	—	—	12.5	12.5
Wuhan Electronic	g	—	—	10.0	11.0
Dongguan Electronic	h	33.0	25.0	N/A	N/A
Changshu Huarui	i	N/A	N/A	25.0	25.0
Shenzhen Communication Technology	i	N/A	N/A	25.0	25.0

Notes:

(a) Weihai Electronic is a production-oriented foreign investment enterprise which was established in the economic and technological development zone in Weihai on 27 November 1997. The company is subject to a preferential tax rate of 15% before 1 January 2008. In 2007, the company was recognized as an advanced technological enterprise and was entitled to 50% reduction in EIT rate or at the tax rate of 10% whichever is higher. Hence, the tax rate applied to the company in 2007 was 10%.

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax <<中華人民共和國企業所得稅法>> (the "Enterprise Income Tax Law") by order No. 63 of the President of the PRC which is effective from 1 January 2008. On 6 December 2007, the State Council issued Implementation Regulation of the Enterprise Income Tax Law (the "Implementation Regulation"). Pursuant to the Enterprise Income Tax Law and Implementation Regulation, a single income tax rate of 25% was imposed for both domestic and foreign-invested enterprises.

With the implementation of Enterprise Income Tax Law and Implementation Regulation from 2008, a statutory tax rate of 25% was imposed to the company. As Weihai Electronic was recognized as a high technology enterprise and the company was entitled to a preferential tax rate of 15% for the years 2008, 2009 and 2010.

(b) Weihai Cable is a production-oriented foreign investment enterprise which is located in the economic and technological development zone in Weihai. The company is subject to a preferential tax rate of 15% before 1 January 2008. While year 2005 was its first profit-making year and therefore, the company was entitled to EIT exemption for years 2005 and 2006, followed by a 50% reduction from 2007 to 2009. Its effective EIT rate for 2007 was half of 15%, i.e. 7.5%. Pursuant to the "Notice on the Implementation of the State Council's EIT Transitional Preferential Enterprise Income Tax Policies" (Caishui [2008] No. 21) issued by the Ministry of Finance and State Administration of Taxation (the "Circular 21"), as for the enterprises previously enjoying a 15% EIT rate, its applicable EIT rate would be 18%, 20% and 22% for years 2008, 2009 and 2010 respectively. Therefore, Weihai Cable was entitled to 50% reduction of EIT rates for the years 2008 and 2009, i.e. 9% and 10%, respectively. The applicable EIT rate for 2010 is 22%.

(c) Changshu Electronic is a production-oriented foreign investment enterprise and is entitled to enjoy the EIT preferential tax policy of "2-year exemption and 3-year 50% reduction" from its first profit-making year. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. Up to 31 December 2007, it had not yet made any tax profit. Pursuant to the "Notice of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies" (Guofa [2007] No. 39) issued by the Ministry of Finance and State Administration of Taxation (the "Circular 39"), from 1 January 2008, preferential tax policies enjoyed by certain enterprises, such as the "2-year exemption and 3-year 50% reduction" policy and the "5-year exemption and 5-year 50% reduction" policy, shall be continued until expiry. For enterprises that had not yet commenced enjoying such preferential policies due to their not-profit making status, their first tax profit-making year would be deemed to commence from year 2008. Therefore, Changshu Electronic was exempted from EIT in 2008 and 2009 and is entitled to a 50% reduction in EIT from 2010 to 2012 based on the statutory EIT rate of 25%, i.e. nil, nil and 12.5% for the years 2008, 2009 and 2010, respectively.

(d) Changshu Cable is a production-oriented foreign investment enterprise and is entitled to the EIT preferential tax policy of "2-year exemption and 3-year 50% reduction" from its first profit-making year. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. 2007 was its first profit-making year. Pursuant to the Circular 39, Changshu Cable was exempted from EIT in 2007 and 2008 and is entitled to EIT at a reduced rate of 12.5% from 2009 to 2011.

(e) Changshu Connecting-Technology is a production-oriented foreign investment enterprise and is entitled to enjoy the EIT preferential tax policy of "2-year exemption and 3- year 50% reduction" from its first profit-making year. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. Up to 31 December 2007, it had not yet made any tax profit. Pursuant to the Circular 39, the company was exempted from EIT in 2008 and 2009 and is entitled to EIT at a reduced rate of 12.5% from 2010 to 2012.

(f) Dezhou Electronic is a production-oriented foreign investment enterprise and is entitled to enjoy the EIT preferential tax policy of "2-year exemption and 3-year 50% reduction" from its first profit-making year. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. 2007 was its first profit-making year. Pursuant to the Circular 39, Dezhou Electronic was exempted from EIT in 2007 and 2008 and is entitled to a 50% reduction in EIT from 2009 to 2011 based on the statutory EIT rate of 25%, i.e. 12.5% for the years 2009 and 2010.

(g) Wuhan Electronic is a production-oriented foreign investment enterprise which was located in the economic and technological development zone in Wuhan. The company was subject to a preferential tax rate of 15% before 1 January 2008. It enjoyed the EIT preferential tax policy of "2- year exemption and 3-year 50% reduction" from its first profit-making year and was entitled to 15% preferential EIT rate before 1 January 2008. 2007 was its first profit-making year. Pursuant to Circular 39 and Circular 21, Wuhan Electronic was exempted from EIT in 2007 and 2008 and is entitled to a 50% reduction in EIT based on the preferential rate from 2009 to 2011, i.e. the applicable rates are 10%, 11% and 12.5% for years 2009, 2010 and 2011 respectively.

(h) Dongguan Electronic is a foreign investment enterprise which was established after the promulgation of the Enterprise Income Tax Law. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. It did not make any profit in 2007. In 2008, the company ceased to be a subsidiary of the Company.

(i) Changshu Huarui and Shenzhen Communication Technology are domestic enterprises newly established in 2009 and the companies are subject to EIT at 25%.

The tax charge for the Track Record Periods can be reconciled to the profit per the consolidated statements of comprehensive income as follows:

		Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before taxation		67,959	66,064	96,587	34,200	78,454
Tax at PRC EIT rate (2007: 33%; 2008, 2009 and 2010: 25%)	a	22,426	16,516	24,147	8,550	19,614
Overprovision for EIT in respect of prior years/periods		—	—	—	—	(2,267)
Attributable to a change in tax rate in respect of deferred tax (credit) charge for the year/period		(1,453)	1,498	—	—	—
Tax effect of tax losses not recognized	b	748	—	—	—	—
Tax effect of expenses that are not deductible for tax purpose		34	441	821	564	411
Effect of tax exemption and concessionary rates for the Group		(18,486)	(11,499)	(15,212)	(5,019)	(8,590)
Withholding tax on undistributed retained earnings of the Group's PRC subsidiaries to be distributed	c	—	3,090	—	—	—
Withholding tax paid on distribution of related earnings of the Group's PRC subsidiaries		—	3,110	—	—	—
Tax effect of concession deductions relating to research and development expenses		(710)	(1,122)	(1,285)	(655)	(915)
Effect of difference tax rates for calculating deferred tax and current tax		(110)	(505)	(381)	(86)	—
		2,449	11,529	8,090	3,354	8,253

Notes:

(a) The PRC EIT rate of 33% for the year ended 31 December 2007 and 25% for the two years ended 31 December 2009 represent the statutory tax rate of which the Group's operations conducted substantially in the PRC throughout the Track Record Periods.

(b) The amount represented the unrecognized tax less in respect of Dongguan Electronic. The deferred tax asset has not yet been recognized as Dongguan Electronic has subsequently been disposed of during the year ended 31 December 2008 (see note 32).

(c) 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.

At 31 December 2008, 31 December 2009 and 30 June 2010, the aggregate amount of temporary differences associated with the undistributed earnings of the PRC subsidiaries of nil, RMB52 million, and RMB117 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, other than those retained profits which were distributed during the three years ended 31 December 2010, the remaining profits from their operations for the three years ended 31 December 2010 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 (see note 19).

14. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividends paid in respect of the following companies:					
— Weihai Cable	279	—	—	—	—
— Weihai Electronic	—	24,000	—	—	—
	279	24,000	—	—	—
Dividends attributable to:					
— Owners of the Company	168	24,000	—	—	—
— Non-controlling interests	111	—	—	—	—
	279	24,000	—	—	—

No dividend has been paid or declared by the Company since its incorporation. The amounts represented the dividends paid by respective companies to their then shareholders prior to the Group Reorganization.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

15. EARNING PER SHARE

The calculation of the basic earnings per share for each of the Track Record Periods is based on the profit attributable to owners of the Company for the Track Record Periods and on the weighted average of [474,593,655] shares, [484,687,143] shares, [523,260,002] shares, [523,260,002] shares and [525,387,184] shares in issue during the year ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively.

The weighted average number of shares for the purpose of calculating the basic earnings per share for the Track Record Periods has been determined as if the Group Reorganization had been effective on 1 January 2007 and the effect of the five-for-one Share Subdivision and the Capitalization Issue as set out in section IV of this report has been adjusted retrospectively.

There were no potential dilutive shares in existence during the Track Record Periods and therefore, no diluted earnings per share amounts have been presented.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Motor vehicles	Equipment and other facilities	Construction in process	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group						
COST						
At 1 January 2007	37,473	61,931	3,380	6,498	17,233	126,515
Additions	5,110	28,860	2,127	9,104	51,142	96,343
Transfer	23,492	12,271	—	110	(35,873)	—
Disposals	—	(473)	(362)	(1,942)	—	(2,777)
At 31 December 2007	66,075	102,589	5,145	13,770	32,502	220,081
Additions	5,777	38,641	863	6,533	50,757	102,571
Transfer	18,036	7,038	—	985	(26,059)	—
Disposal of a subsidiary (see note 32)	(1,037)	(3,329)	(394)	(3,450)	—	(8,210)
Other disposals	—	(738)	(299)	(263)	—	(1,300)
At 31 December 2008	88,851	144,201	5,315	17,575	57,200	313,142
Additions	3,115	34,937	1,791	9,686	20,180	69,709
Transfer	67,122	8,453	—	1,006	(76,581)	—
Disposals	(62)	(1,127)	(223)	(670)	—	(2,082)
At 31 December 2009	159,026	186,464	6,883	27,597	799	380,769
Additions	251	17,125	1,895	6,363	22,700	48,334
Transfer	193	2,498	—	1,602	(4,293)	—
Disposals	(11,731)	(444)	(524)	(6,474)	—	(19,173)
As at 30 June 2010	147,739	205,643	8,254	29,088	19,206	409,930
DEPRECIATION						
At 1 January 2007	3,986	9,056	524	1,188	—	14,754
Provided for the year	2,171	7,992	739	1,270	—	12,172
Eliminated on disposals	—	(188)	(131)	(308)	—	(627)
At 31 December 2007	6,157	16,860	1,132	2,150	—	26,299
Provided for the year	3,560	12,634	923	2,660	—	19,777
Eliminated on disposal of a subsidiary	—	(176)	(52)	(387)	—	(615)
Eliminated on other disposals	—	(456)	(103)	(168)	—	(727)
At 31 December 2008	9,717	28,862	1,900	4,255	—	44,734
Provided for the year	6,905	14,723	1,067	5,497	—	28,192
Eliminated on disposals	(1)	(456)	(129)	(147)	—	(733)
At 31 December 2009	16,621	43,129	2,838	9,605	—	72,193
Provided for the period	3,339	9,193	649	4,783	—	17,964
Eliminated on disposals	(4,548)	(44)	(349)	(1,246)	—	(6,187)
As at 30 June 2010	15,412	52,278	3,138	13,142	—	83,970
CARRYING VALUES						
At 31 December 2007	59,918	85,729	4,013	11,620	32,502	193,782
At 31 December 2008	79,134	115,339	3,415	13,320	57,200	268,408
At 31 December 2009	142,405	143,335	4,045	17,992	799	308,576
As at 30 June 2010	132,327	153,365	5,116	15,946	19,206	325,960

The above items of property, plant and equipment, other than construction in progress, after taking into account of their estimated residual values, are depreciated on a straight-line basis at the following rate per annum:

Buildings	4.5%
Plant and equipment	9.0%
Electronic and other facilities	18.0% to 45.0%
Motor vehicles	18.0%

As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the Group has pledged its property, plant and equipment with a total carrying amount of approximately RMB75,581,000, RMB95,701,000, RMB186,520,000 and RMB151,335,000, respectively to secure for general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Analyzed for reporting purposes as:				
— Non-current assets	17,264	16,904	16,544	26,568
— Current assets	360	360	360	565
	17,624	17,264	16,904	27,133

The amounts represent land use rights in respect of lands situated in the PRC and held under medium-term leases. Land use rights are released on a straight-line basis over the relevant terms of the land use rights certificate.

As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the Group has pledged its land use rights with a net book value of RMB17,624,000, RMB17,264,000, RMB16,904,000 and RMB14,045,000, respectively to banks to secure for banking facilities granted to the Group.

18. INTANGIBLE ASSETS

	Software	Trademarks	Licenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
COST				
At 1 January 2007	1,293	7	349	1,649
Additions	363	12	274	649
At 31 December 2007	1,656	19	623	2,298
Additions	714	76	1,794	2,584
Disposal of a subsidiary (see note 32)	—	—	(33)	(33)
At 31 December 2008	2,370	95	2,384	4,849
Additions	29	26	2,411	2,466
At 31 December 2009	2,399	121	4,795	7,315
Additions	1,500	13	1,872	3,385
As at 30 June 2010	3,899	134	6,667	10,700
AMORTIZATION				
At 1 January 2007	172	1	30	203
Charge for the year	201	1	25	227
At 31 December 2007	373	2	55	430
Charge for the year	240	5	147	392
Eliminated on disposal of a subsidiary (see note 32)	—	—	(2)	(2)
At 31 December 2008	613	7	200	820
Charge for the year	233	12	429	674
At 31 December 2009	846	19	629	1,494
Charge for the period	122	2	451	575
As at 30 June 2010	968	21	1,080	2,069
CARRYING VALUES				
At 31 December 2007	1,283	17	568	1,868
At 31 December 2008	1,757	88	2,184	4,029
At 31 December 2009	1,553	102	4,166	5,821
As at 30 June 2010	2,931	113	5,587	8,631

The above intangible assets have definite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Software	5 – 10 years
Trademarks	5 years
Licenses	5 – 10 years

19. DEFERRED TAXATION

The following are the Group's major deferred tax assets (liabilities) recognized and the movements thereon, during the Track Record Periods.

	Pre-operating expenses	Temporary difference relating to impairment loss of assets	Temporary difference on expenses recognition	Withholding tax on undistributed retained earnings (note 13)	Deductible tax losses carried forward	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note below)	RMB'000
The Group						
At 1 January 2007	398	—	2,450	—	—	2,848
Credit to profit or loss	(4)	—	221	—	—	217
Attributable to a change in tax rate	(61)	—	1,514	—	—	1,453
At 31 December 2007	333	—	4,185	—	—	4,518
(Charge) credit to profit or loss	(4)	1,040	379	(3,090)	—	(1,675)
Attributable to a change in tax rate	—	—	(1,498)	—	—	(1,498)
At 31 December 2008	329	1,040	3,066	(3,090)	—	1,345
(Charge) credit to profit or loss	(87)	148	(693)	3,090	101	2,559
At 31 December 2009	242	1,188	2,373	—	101	3,904
(Charge) credit to profit or loss	(70)	(203)	(415)	—	283	(405)
As at 30 June 2010	172	985	1,958	—	384	3,499

Note: As at 31 December 2009 and 30 June 2010, the Group has unused tax losses amounting to RMB403,000 and RMB1,541,000 available for offset against future profits, which will expire in 2015. A deferred tax asset has been recognized in respect of RMB101,000 and RMB384,000 of such losses.

For the purpose of consolidated statements of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting presentation purposes:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Deferred tax assets	4,518	4,435	3,904	3,499
Deferred tax liabilities	—	(3,090)	—	—
	4,518	1,345	3,904	3,499

20. INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Unlisted investments, at cost	—	200,135	268,828	268,828

21. INTEREST IN AN ASSOCIATE

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Unlisted investment, at cost	1,500	1,500	1,500	1,500
Share of post-acquisition results	(290)	(290)	(290)	(290)
	1,210	1,210	1,210	1,210
Less: Impairment loss recognized	—	(1,210)	(1,210)	(1,210)
	1,210	—	—	—

The amount represents the Group's interest of 30% equity interest in Changshu Yujin Packing Material Co., Ltd ("Yujin"), a company established in the PRC and is engaged in the manufacture and sales of packing material for mould. In 2008, Yujin ceased its business and operations and thus, the Group considered the recoverable amount of its interest in Yujin to be nil and recognized impairment loss of RMB1,210,000 in the consolidated statement of comprehensive income for the year ended 31 December 2008. Yujin was deregistered on 31 August 2010.

22. INVENTORIES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Raw materials and consumables	40,587	25,914	34,046	76,978
Work in progress	23,667	12,060	20,015	32,415
Finished goods	74,862	77,335	61,533	75,913
	139,116	115,309	115,594	185,306

23. TRADE AND OTHER RECEIVABLES

		The Group				The Company			
		As at 31 December			At 30 June	As at 31 December			At 30 June
	NOTES	2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	a								
— Related parties	36 (b) (ii)	—	12,171	6,756	—	—	—	6,353	4,875
— Non-related parties		181,813	214,644	287,178	411,852	—	—	825	5,225
		181,813	226,815	293,934	411,852	—	—	7,178	10,100
Less: Allowances		—	(3,176)	(3,124)	(3,660)	—	—	—	—
		181,813	223,639	290,810	408,192	—	—	7,178	10,100
Bills receivable	b	28,772	66,315	77,356	90,851	—	—	—	—
Advance to suppliers	c	6,193	8,840	21,943	34,180	—	—	—	—
Value added tax ("VAT") receivable		6,742	7,469	9,352	14,585	—	—	—	—
Consideration receivable in respect of disposal of Dongguan Electronic	d	—	17,319	10,000	10,000	—	—	—	—
Consideration receivables in respect of disposal of property, plant and equipments		1,190	21	—	—	—	—	—	—
Deposits and prepayments									
— Related parties	36 (b) (ii)	—	—	1,600	—	—	—	—	—
— Non-related parties		5,327	6,592	3,452	27,948	—	—	—	10,919
		5,327	6,592	5,052	27,948	—	—	—	10,919
Dividend receivable	e	—	—	—	—	—	34,999	—	—
Advances to third parties	f	—	4,437	2,300	3,182	—	—	—	—
Advances to staff		1,599	1,553	—	2,003	—	—	—	—
Other receivables	g								
— Related parties	36 (b) (iii)	2,394	2,319	6,476	—	—	—	—	—
— Non-related parties		7,297	294	232	1,514	—	1,909	6	6
		9,691	2,613	6,708	1,514	—	1,909	6	6
		241,327	338,798	423,521	592,455	—	36,908	7,184	21,025

Notes:

(a) Trade receivables

The Group's and the Company's trade receivables at the end of each reporting period comprise amounts receivable from the sales of goods during the Track Record Periods.

No interest is charged on the trade receivables.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customers' quality and determining the credit limits for that customer.

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 and the Company's trade receivables (net of allowances for doubtful debts) presented based on the invoice date as at the end of each reporting period are as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	159,442	172,024	265,813	391,508	—	—	7,178	9,279
Over 3 months but within 6 months	22,207	49,826	24,418	16,674	—	—	—	821
Over 6 months but within 1 year	20	1,679	569	—	—	—	—	—
Over 1 year but within 2 years	144	110	10	10	—	—	—	—
	181,813	223,639	290,810	408,192	—	—	7,178	10,100

Aging of the Group's and the Company's trade receivables which are past due but not impaired are as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	7,863	448	1,854	6,074	—	—	—	—
Over 3 months but within 6 months	3,767	13,682	4,272	1,391	—	—	—	821
Over 6 months but within 1 year	20	1,679	496	—	—	—	—	—
Over 1 year but within 2 years	144	110	10	10	—	—	—	—
	11,794	15,919	6,632	7,475	—	—	—	821

Movements of the Group's and the Company's allowances for doubtful debts during the Track Record Periods are as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	—	—	3,176	3,124	—	—	—	—
Allowances for doubtful debts	—	3,176	979	582	—	—	—	—
Amount written off	—	—	(399)	—	—	—	—	—
Reversal of allowances for doubtful debts	—	—	(632)	(46)	—	—	—	—
At 31 December	—	3,176	3,124	3,660	—	—	—	—

Other than the above allowances for doubtful debts, the Group did not provide any allowance on the remaining past due receivables as, in the opinion of the directors of the Company, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances and these balances had been subsequently received.

Furthermore, in the opinion of the directors of the Company, there has not been a significant change in credit quality of the Group's trade receivables which are neither past due nor impaired and the amounts are still considered recoverable based on the historical experience.

The Group's and the Company's trade receivables denominated in currencies other than RMB, the functional currency of the relevant group companies, were as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
USD	96,438	154,335	194,473	217,242	—	—	7,178	10,100

At 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, trade receivables amounting to approximately RMB2,441,000, RMB8,793,000, nil and nil, respectively have been pledged to banks as the security in respect of the Group's bills payable.

(b) Bills receivable

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

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
Within 3 months	22,403	18,974	40,173	59,426	—	—	—	—
Over 3 months but within 6 months	6,369	47,341	37,183	31,425	—	—	—	—
	28,772	66,315	77,356	90,851	—	—	—	—

(c) Advance to suppliers

The Group's advance to suppliers represents deposits for purchase of raw materials.

(d) Consideration receivable in respect of disposal of Dongguan Electronic

The Group's consideration receivable in respect of disposal of Dongguan Electronic as at 31 December 2008 and 31 December 2009 represented the outstanding consideration receivable relating to the disposal of Dongguan Electronic (see note 32). According to the supplementary agreement to the equity transfer agreement, the remaining balance amounted to RMB10,000,000 will be fully received by 31 December 2010.

(e) Dividend receivable

The Company's dividend receivable as at 31 December 2008 represented dividend receivable from Weihai Electronic which was subsequently settled in 2009.

(f) Advances to third parties

The Group's advances to third parties are interest-free, unsecured and are repayable on demand.

(g) Other receivables

Out of the Group's non-related parties outstanding balance as at 31 December 2007, an amount of RMB3,149,000 represents a receivable from a third party relating to the sale of scrap materials for the year ended 31 December 2007 which has been settled during the year ended 31 December 2008.

The Group's and the Company's other receivables have been included the following allowances for doubtful debts during the Track Record Periods:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	—	272	1,732	223	—	—	—	—
Allowances for doubtful debts ...	272	1,460	—	—	—	—	—	—
Amount written off	—	—	(1,169)	—	—	—	—	—
Reversal of allowances for doubtful debts ...	—	—	(340)	(58)	—	—	—	—
At 31 December ...	272	1,732	223	165	—	—	—	—

Other than the above allowances for doubtful debts, the Group did not provide any allowance on the remaining other receivables as, in the opinion of the directors of the Company, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses commodity derivative contracts (standard copper forward contracts in Shanghai Futures Exchange and London Metal Exchange) to manage its exposure against copper price fluctuations. This arrangement is designated to address significant fluctuations in the price of copper concentrate and copper related products which move in line with the price of copper. However, this arrangement is not considered as an effective hedge and is not accounted for under hedge accounting according to the Group's accounting policies.

Details of the contract value and the related terms are summarized as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Commodity derivative purchase contracts:				
— Volume (tons)	—	50	—	1,000
— Executed contract value	—	2,149	—	46,519
— Fair value of derivative financial liabilities	—	920	—	1,202
Commodity derivative sale contracts:				
— Volume (tons)	—	—	—	700
— Executed contract value	—	—	—	30,945
— Fair value of derivative financial assets	—	—	—	1,774
Contract maturity date	N/A	January 2009	N/A	August to September 2010
The Company				
Commodity derivative purchase contracts:				
— Volume (tons)	—	—	—	850
— Executed contract value	—	—	—	38,436
— Fair value of derivative financial liabilities	—	—	—	886
Commodity derivative sale contracts:				
— Volume (tons)	—	—	—	700
— Executed contract value	—	—	—	30,945
— Fair value of derivative financial assets	—	—	—	1,774
Contract maturity date	N/A	N/A	N/A	August to September 2010

25. RESTRICTED BANK BALANCES

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
Pledged bank deposits	19,272	34,976	41,471	24,106	—	—	—	—
Other bank balances (see note below)	—	—	—	14,940	—	—	—	14,940
	19,272	34,976	41,471	39,046	—	—	—	14,940

Note: As at 30 June 2010, the Group had bank balances of RMB14,940,000 (equivalent to TWD70,000,000) which had been deposited to a bank registered in Taiwan for capital verification in respect of the establishment of Honglin Technology and were not free to use prior to the completion of the capital verification. The capital verification and related company incorporation procedures for Honglin Technology was completed in July 2010.

Certain of the Group's and the Company's restricted bank balances are denominated in RMB, which is not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC:

The Group's pledged deposits carry fixed interest rates ranging from 3.33% to 3.78%, 1.71% to 2.25%, 1.98% to 2.25% and 0.36% to 2.25% per annum as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively.

As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the Group's bank deposits have been pledged to secure for the Group's short-term bank borrowings and bills payable as following:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pledged bank deposits for								
— Short-term bank borrowings	1,300	—	4,771	5,025	—	—	—	—
— Bills payable	17,972	34,976	36,700	19,081	—	—	—	—
	19,272	34,976	41,471	24,106	—	—	—	—

The Group's restricted bank balances denominated in currencies other than functional currency RMB of the relevant group companies were as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
USD	2,864	921	2,831	2,114	—	—	—	—
TWD	—	—	—	14,940	—	—	—	14,940
	2,864	921	2,831	17,054	—	—	—	14,940

26. BANK BALANCES AND CASH

The Group's and the Company's bank balances and cash comprise cash and short-term bank deposits with an original maturity of three months or less.

The bank balances carry market interest rates ranging from 0.72% to 1.15%, 0.05% to 0.36%, 0.15% to 0.36% and 0.1% to 0.36% per annum at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively.

The Group's and the Company's bank balances and cash denominated in currencies other than functional currency of the relevant group companies were as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
USD	2,176	9,482	23,233	51,362	363	80	1,998	6,050

The Group's and the Company's bank balances and cash denominated in RMB are not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
RMB	17,629	13,931	50,511	23,808	—	29	377	3

27. TRADE AND OTHER PAYABLES

		The Group				The Company			
		As at 31 December			At 30 June	As at 31 December			At 30 June
	NOTES	2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	a								
— Related parties	36 (b) (ii)	5,558	1,222	242	—	—	—	4,590	9,691
— Non-related parties		133,408	110,007	135,882	181,008	—	—	—	—
		138,966	111,229	136,124	181,008	—	—	4,590	9,691
Bills payable	b	91,018	99,219	88,757	77,147	—	—	—	—
Receipts in advance from customers	c	1,591	56	1,068	116	—	—	—	—
Other tax payables		3,560	3,996	3,935	3,830	—	—	—	—
Payables for acquisition of property, plant and equipment									
— Related parties	36 (b) (ii)	—	—	388	—	—	—	—	—
— Non-related parties	d	20,319	17,579	12,241	20,588	—	—	—	—
		20,319	17,579	12,629	20,588	—	—	—	—
Payables for acquisition of prepayment lease payments		3,550	—	—	—	—	—	—	—
Payrolls and staff cost payables	e	28,316	25,080	10,989	17,086	—			
Accrued expenses		5,572	4,413	7,682	9,318	—	—	—	1,082
Advances from staff . . .		14,540	300	—	—	—	—	—	—
Advances from third parties	f	4,500	4,500	—	—	—	—	—	—
Other payables	g								
— Related parties	36 (b) (iii)	4,887	65,612	34,604	—	363	1,940	3,262	—
— Non-related parties		3,781	3,357	6,219	2,250	—	2,161	2,040	543
		8,668	68,969	40,823	2,250	363	4,101	5,302	543
		320,600	335,341	302,007	311,343	363	4,101	9,892	11,316

Notes:

(a) Trade payables

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

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	128,800	57,214	127,173	158,348	—	—	4,590	9,691
Over 3 months but within 1 year	10,153	53,485	8,402	21,994	—	—	—	—
Over 1 year but within 2 years	13	530	549	666	—	—	—	—
	138,966	111,229	136,124	181,008	—	—	4,590	9,691

The Group's and the Company's trade payables denominated in currencies other than functional currency of the relevant group companies were as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
USD	64,512	40,898	38,851	36,478	—	—	4,590	9,691

(b) Bills payable

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

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Within 3 months	41,173	200	47,098	44,131
Over 3 months but within 6 months	49,845	99,019	41,659	33,016
	91,018	99,219	88,757	77,147

(c) Receipts in advance from customers

The Group's receipts in advance from customers represent deposits for supply of goods to customers.

(d) Payables for acquisition of property, plant and equipment — non-related parties

Included in the balance as at 31 December 2009 and 30 June 2010 was an amount of RMB6.8 million and RMB6.1 million, respectively payable to an independent third party contractor in respect of the construction of the Group's factories and dormitory buildings in Weihai.

(e) Payrolls and staff cost payables

Out of the Group's outstanding balances, an amount of RMB14,896,000 and RMB14,896,000, representing accrual payroll costs as at 31 December 2007 and 31 December 2008, respectively were settled during the year ended 31 December 2009 in respect of the Employee Share Scheme (see note 31).

(f) Advances from third parties

The Group's advances from third parties are interest-free, unsecured and are repayable on demand.

(g) Other payables — related parties

As at 31 December 2008 and 31 December 2009, the Group had an amount of RMB25,120,000 payable to Chenlin International in respect of the Group's Employee Share Scheme (see note 31). It was settled during the six months ended 30 June 2010.

28. BANK BORROWINGS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Bank borrowings, due within one year:				
— Secured	108,515	199,429	240,833	186,569
— Unsecured	31,653	43,847	112,606	315,186
	140,168	243,276	353,439	501,755
The exposure of bank borrowings:				
— Fixed interest rate borrowings	120,082	148,995	308,175	474,311
— Variable interest rate borrowings	20,086	94,281	45,264	27,444
	140,168	243,276	353,439	501,755

The Group's bank borrowings denominated in currencies other than RMB, the functional currency of the relevant group companies, were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Currency:				
USD	73,604	62,340	57,704	175,563

The range of effective interest rates (which are also equal to contracted interest rates) of the Group's bank borrowings are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
The Group				
Effective interest rates:				
Fixed interest rate borrowings	3.60% – 10.50% per annum	2.40% – 11.67% per annum	0.43% – 6.12% per annum	0.30% – 5.84% per annum
Variable interest rate borrowings	6.53% – 7.71% per annum	4.60% – 11.29% per annum	1.35% – 5.31% per annum	1.2% – 4.70% per annum

29. PAID-IN CAPITAL/SHARE CAPITAL

The details of the Company's share capital as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 are as follows:

	Number of shares	Share capital
		US$'000
Ordinary shares		
Authorized		
On the date of incorporation, as at 31 December 2007, 2008 and 2009 and 30 June 2010 (US$0.10 each)	500,000,000	50,000

	Notes	Number of shares	Share capital	
			US$'000	RMB'000
Issued and fully paid				
On the date of incorporation	a	100	—	—
At 31 December 2007		100	—	—
Issue of shares on 15 September 2008	b (i)	52,500,000	5,250	35,820
Issue of shares on 17 September 2008	b (ii)	3,500,000	350	2,390
Issue of shares on 19 September 2008	b (i)	28,510,323	2,851	19,452
Issue of shares on 8 November 2008	c	4,807,067	481	3,281
At 31 December 2008 and 31 December 2009		89,317,490	8,932	60,943
Issue of shares on 8 June 2010	d	2,857,422	286	1,951
At 30 June 2010		92,174,912	9,218	62,894

The movements in the Company's authorized and issued share capital during the period from 16 November 2007 (date of incorporation) to 31 December 2009 are as follows:

(a) The Company was incorporated on 16 November 2007 with an authorized share capital of US$50,000,000 divided into 500,000,000 ordinary shares of US$0.10 each. Upon incorporation, 100 ordinary shares of US$0.10 each (the "Subscribe Shares") were issued and allotted, credited as fully paid, to Chenlin International and Hongxin Joint Stock Company Limited ("Hongxin Joint Stock").

(b) Pursuant to the Group Reorganization:

i On 15 September 2008, the Company issued and allotted 52,500,000 ordinary shares of US$0.10 each, credited as fully paid, to Chenlin International for the acquisition of 100% equity interest in Weihai Electronic from Chenlin Trading. On 19 September 2008, the Company issued and allotted 28,510,323 ordinary shares of US$0.10 each, credited as fully paid, to Chenlin International for the acquisition of the remaining equity interest in the companies comprising the Weihai Electronic Group held directly by Chenlin Trading.

ii On 17 September 2008, the Company issued and allotted 3,500,000 ordinary shares of US$0.10 each, credited as fully paid, to Chenlin International for a consideration of US$700,000 (equivalent to approximately RMB4,778,000) to acquire the non-controlling interests in Weihai Cable, Changshu Cable and Changshu Connecting-Technology.

(c) On 8 November 2008, the Company issued and allotted 4,807,067 ordinary shares of US$0.10 each, credited as fully paid, to SCGC Capital Holding Company Limited

("SCGC Capital") for a consideration of US$5,000,000 (equivalent to approximately RMB34,129,000) to provide for additional working capital to the Company.

(d) On 8 June 2010, the Company issued and allotted 2,857,422 ordinary shares of US$0.10 each, credited as fully paid, to Samford Management Limited for a consideration of US$5,000,000 (equivalent to approximately RMB34,140,000) to provide for additional working capital to the Company.

For the purpose of the preparation of the consolidated statement of financial position, the balance of the paid-in capital/share capital at 31 December 2007 represents the registered capital relating to the Weihai Electronic Group which was previously held by Chenlin Trading.

30. RESERVES

The movements of the Company's reserves during the period from 16 November 2007 to 30 June 2010 are as follow:

	Share premium	Capital reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Issue of shares to owners of the Company	2,388	—	—	2,388
Issue of shares upon Group Reorganization	—	106,712	—	106,712
Issuance of shares to SCGC Capital (see note 29)	30,848	—	—	30,848
Profit and total comprehensive income for the period from 16 November 2007 to 31 December 2008	—	—	29,050	29,050
At 31 December 2008	33,236	106,712	29,050	168,998
Profit and total comprehensive income for the year	—	—	32,354	32,354
At 31 December 2009	33,236	106,712	61,404	201,352
Issue of shares on 8 June 2010	32,189	—	—	32,189
Loss and total comprehensive expenses for the period	—	—	(1,833)	(1,833)
At 30 June 2010	65,425	106,712	59,571	231,708

31. EMPLOYEE SHARE SCHEME

On 30 September 2008, an employees' share scheme (the "Employee Share Scheme") was adopted by the Company, Mr. Chi and Chenlin International. Pursuant to the Employee Share Scheme, on 8 October 2008, Chenlin International transferred a total of 6,280,000 ordinary shares of the Company (the "Employee Shares") to Hongxin Joint Stock in respect of 137 employees of the Group, including certain directors of the Company, namely Mr. Li Jianming, Mr. Mao Wanjun and Mr. Sui Shikai, (the "Employee Shareholders") in recognition of their contributions to the growth of the Group at a consideration of RMB6.37 each, of which RMB2.37 each was paid for by each of the Employee Shareholders with their own funds and RMB4.00 each was paid for by Weihai Electronic and Weihai Cable, respectively, as bonus and subsidy to Employee Shareholders.

Hongxin Joint Stock holds the Employee Shares in trust for the Employee Shareholders pursuant to a trust deed dated 28 May 2010 (the "Trust Deed").

The Employee Share Scheme and Trust Deed imposed certain restrictions on the Employee Shares and the details are summarized in the paragraphs headed "Employee Shares" under section III "Further Information about Directors, Management and Staff" in Appendix VI "Statutory and General Information" to the document.

Details of the movements of the Employee Shares awarded and the outstanding balances at the end of each reporting period are as follows:

Designated service periods	Number of shares granted on 30 September 2008, and the outstanding balances at 31 December 2008 and 31 December 2009	Granted during the period (Note)	Forfeited during the period (Note)	Outstanding balances at 30 June 2010
Directors				
— October 2008 to June 2012	594,785	10,113	—	604,898
Employees				
— October 2008 to September 2013	5,685,215	—	(10,113)	5,675,102

Note: During the six months ended 30 June 2010, an employee resigned and his Employee Shares entitlement was transferred to a director of the Company.

The estimated fair value of the Employee Shares at the date of grant is RMB42,187,000, or approximately RMB6.72 each. The payment of RMB4.00 each (RMB25,120,000 in total) made by Weihai Electronic and Weihai Cable as bonus and subsidy to Employees Shareholders has been charged to "share awards reserve" in equity during the year ended 31 December 2008 and settled in 2010.

The difference between the fair value of RMB6.72 each and RMB2.37 each which was paid for by each of the Employee Shareholders, amounting to approximately RMB27,303,000, would be charged to the consolidated statements of comprehensive income on a straight-line basis over the service periods of the Employees Shareholders.

The following assumptions were used to calculate the fair value of the Employee Shares of RMB6.72:

— Weighted average cost of capital	20%
— Terminal growth rate	3%
— Lack of marketability discount	24%

The discounted cash flow approach has been used to estimate the fair value of the Employee Shares. The Black-Scholes Option Pricing Model has been used to estimate the lack of marketability discount. The variables and assumptions used in computing the fair value of the Employee Shares are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the Employee Shares.

The Group recognized share-based payments of nil, RMB1,787,000, RMB7,147,000, RMB3,573,000 and RMB3,573,000 for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively, in relation to the Employee Shares.

32. DISPOSAL OF A SUBSIDIARY

Pursuant to an agreement amongst the Company, Weihai Electronic, United Metal and Yu Shun Rong dated 24 October 2008, the Group disposed of its entire equity interest in Dongguan Electronic to United Metal and Yu Shung Rong (Shenzhen) for a total consideration of

US$3,000,000 (equivalent to approximately RMB22,096,000) (the "Dongguan Electronic Disposal").

The net assets of Dongguan Electronic at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	7,595
Intangible assets	31
Inventories	16,550
Trade and other receivables	14,564
Bank balances and cash	414
Trade and other payables	(20,369)
Net assets	18,785
Gain on disposal of Dongguan Electronic (see note 9)	3,311
Total consideration	22,096

Net cash inflow in respect of Dongguan Electronic Disposal:

	RMB'000
Net cash consideration received during the year ended 31 December 2008:	
— Cash consideration received	4,777
— Bank balances and cash disposed of	(414)
Net Cash consideration received during the year ended 31 December 2008	4,363
Cash consideration received during the year ended 31 December 2009	7,319
Consideration receivable as at 31 December 2009 and 30 June 2010	10,000

During the year ended 31 December 2008, Dongguan Electronic contributed approximately RMB27,110,000 and a loss of RMB1,632,000 to the Group's revenue and profit for the year respectively. During the year ended 31 December 2008, Dongguan Electronic contributed approximately RMB1,628,000 to the Group's net operating cash flows, paid approximately RMB2,046,000 in respect of investing activities and paid approximately RMB418,000 in respect of financing activities.

33. OPERATING LEASES

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
The Group as lessee					
Minimum lease payments paid under operating leases during the year/period	2,320	2,902	708	370	798

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,203	510	480	15
Over one year but within two years, inclusive	383	68	100	650
	2,586	578	580	665

Operating lease payments represent rentals payable by the Group for the Group's plant, warehouse and office premise. Leases are negotiated for lease terms ranging from one to two years at inception.

34. CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following outstanding capital commitments:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Capital expenditure in respect of acquisition of property, plant and equipment:				
— contracted for but not provided in the Financial Information	39,776	13,665	2,207	12,992
— authorized but not contracted for	12,960	5,192	1,365	86,661
	52,736	18,857	3,572	99,653

35. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during each year/period over the Track Record Periods are disclosed in note 11.

36. RELATED PARTY TRANSACTIONS

(a) Related parties of the Company:

The directors of the Company consider that the following entities are related parties of the Group:

Name of related party	Relationship with the Company
Mr. Chi	The director of the Company
Mr. Chi Zhongmin	The brother of Mr. Chi
Mr. Tseng Chih-ming	The director of the Company
Mr. Kang Jin Won	The director of the Company
Mr. Jiang Taike	The director of the Company
Ms. Yang Fuwei	The spouse of Mr. Chi and the director of Subsidiaries
Ms. Chen Ying	The spouse of Mr. Jiang Taike
Ms. Cheng Guanghua	The director of a subsidiary
Ms. Yang Huahua	The director of a subsidiary
Chenlin International	Immediate holding company
Chenlin Trading	An entity controlled by Mr. Chi
威海裕順榮塑膠有限公司 (Weihai Yushunrong Plastics Co., Ltd.#, "Weihai Yushunrong")	An entity controlled by Mr. Chi Zhongmin
威海大榮合成材料有限公司 (Weihai Darong Compound Material Co., Ltd.#, "Weihai Darong")	An entity controlled by Mr. Chi Zhongmin
深圳光華鑫塑膠五金有限公司 (Shenzhen Guanghuaxin Plastic and Hardware Co., Ltd. #, "Shenzhen Guanghuaxin") (see note (a) below)	An entity controlled by Ms. Yang Huahua
吳江市同裏鎮華鋭精密電子有限公司 (Wujiangshi Tongli Town Huarui Precision Electronics Co., Ltd. #, "Wujiangshi Huarui") (see note (b) below)	An entity controlled by Mr. Cheng Guanghua
連雲港中振精密電子有限公司 (Lianyungang Zhongzhen Precision Electronics Co., Ltd#, "Lianyungang Zhongzhen")	An entity controlled by Mr. Kang Jin Won

The English names are for identification purpose only.

Notes:

(a) With effective from 5 November 2009, Ms. Yang Huahua became a director of Shenzhen Communication and his directly controlled company of Shenzhen Guanghuaxin became a related party of the Group. Accordingly, the Group did not disclose the transactions between the Group and Shenzhen Guanghuaxin prior to 5 November 2009.

(b) With effective from 18 April 2009, Mr. Cheng Guanghua became a director of Changshu Huarui and his directly controlled company of Wujiangshi Huarui became a related party of the Group. Accordingly, the Group did not disclose the transactions between the Group and Wujiangshi Huarui prior to 18 April 2009.

(b) Significant related party transactions

i The Group has significant transactions with the following related parties during the Track Record Periods:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
The Group					
Sales of goods to:					
— Chenlin Trading	—	32,493	18,239	10,296	—
— Shenzhen Guanghuaxin	—	—	22	—	—
	—	32,493	18,261	10,296	—
Purchase of raw materials from:					
— Weihai Yushunrong	2,415	2,922	3,809	1,637	2,026
	2,415	2,922	3,809	1,637	2,026
Purchase of property, plant and equipment from:					
— Wujiangshi Huarui	—	—	7,888	7,502	—
— Shenzhen Guanghuaxin	—	—	—	—	272
— Lianyungang Zhongzhen	—	—	—	—	1,200
	—	—	7,888	7,502	1,472
Sales of property, plant and equipment and prepaid lease payments to:					
— Weihai Darong	—	—	—	—	5,170

The directors of the Company represented that the above transactions will not continue after [●].

In the opinion of the directors of the Company, the above transactions were conducted on normal commercial terms and are in the ordinary and usual course of the Company's business.

ii The Group and the Company have significant trade balances with the following related parties as at the end of each reporting period:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Trade receivables:								
— Chenlin Trading	—	12,171	6,730	—	—	—	—	—
— Shenzhen Guanghuaxin . . .	—	—	26	—	—	—	—	—
— Changshu Electronic	—	—	—	—	—	—	214	92
— Weihai Electronic	—	—	—	—	—	—	5,634	2,985
— Dezhou Electronic	—	—	—	—	—	—	505	1,798
	—	12,171	6,756	—	—	—	6,353	4,875
Deposits paid to:								
— Mr. Tseng Chih-ming	—	—	1,600	—	—	—	—	—
Trade payables:								
— Weihai Yushunrong	5,558	1,222	242	—	—	—	—	—
— Weihai Cable	—	—	—	—	—	—	3,529	
— Dezhou Electronic	—	—	—	—	—	—	—	1,231
— Changshu Huarui	—	—	—	—	—	—	—	1,776
— Changshu Connecting-Technology	—	—	—	—	—	—	1,061	6,684
	5,558	1,222	242	—	—	—	4,590	9,691
Payables for acquisition of property, plant and equipment:								
— Wujiangshi Huarui	—	—	388	—	—	—	—	—

The directors of the Company represented that the above balances are interest-free, unsecured and are repayable in accordance with the credit terms agreed with the related companies.

iii The Group and the Company has significant non-trade balances with the following related parties as at the end of each reporting period:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:								
— Chenlin Trading	2,283	—	—	—	—	—	—	—
— Chenlin International	—	—	4,884	—	—	—	—	—
— Weihai Yushunrong	—	2,080	—	—	—	—	—	—
— Shenzhen Guanghuaxin	—	—	1,590	—	—	—	—	—
— Mr. Chi	111	239	—	—	—	—	—	—
— Ms Yang Fuwei	—	—	2	—	—	—	—	—
	2,394	2,319	6,476	—	—	—	—	—
Other payables:								
— Chenlin Trading	1,461	90	—	—	—	90	—	—
— Chenlin International	363	62,299	30,004	—	363	—	3,262	—
— Mr. Chi	1,423	3,223	—	—	—	1,850	—	—
— Mr. Chi Zhongmin	240	—	—	—	—	—	—	—
— Ms Yang Fuwei	240	—	—	—	—	—	—	—
— Ms. Chen Ying	1,160	—	—	—	—	—	—	—
— Mr. Cheng Guanghua	—	—	4,600	—	—	—	—	—
	4,887	65,612	34,604	—	363	1,940	3,262	—

Note: The directors of the Company represented that the above balances were interest-free, unsecured and were repayable on demand. The amounts were fully settled during the six months ended 30 June 2010.

The maximum amounts of the amounts due from a director of the Company outstanding during each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 are RMB111,000, RMB239,000, RMB239,000 and nil respectively.

(c) Compensation of key management personnel:

The remuneration of directors and other members of key management during the Track Record Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
The Group					
Salaries and other benefits	668	695	1,188	633	1,109
Contributions to retirement benefits schemes	13	21	21	10	33
Share-based payments	—	187	1,331	666	634
	681	903	2,540	1,309	1,776

II. ULTIMATE HOLDING COMPANY

In the opinion of the directors, the Company's ultimate holding company is Chenlin International, a company incorporated in the British Virgin Islands.

III. DIRECTORS EMOLUMENTS

Saved as disclosed in note 12 to Section I of this report, no other remuneration has been paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Track Record Periods.

Under the arrangement currently in force, the aggregate amount of the directors' fees and emoluments for the year ending 31 December 2010 is estimated to be approximately RMB1.80 million.

IV. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2010:

(1) The Company established two wholly owned subsidiaries as follows:

(i) On 21 July 2010, Honglin Technology was incorporated in Taiwan as a limited liability company which was engaged in research and development work on antennas and connectors used in mobiles handsets, notebooks, GPRS systems and network communications (including routers and network cards) and also in sales and marketing of the Group's products to overseas customers.

(ii) On 27 August 2010, Chongqing Technology was established in Chongqing, the PRC, as a limited liability company which was engaged in the production of LVDZ type of notebook internal signal cable assembly and power cord assembly.

(2) Pursuant to the written resolutions of all shareholders entitled to vote at general meetings of the Company, which were passed on 25 October 2010, the following changes in the authorized and issued share capital of the Company took place:

(i) 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 US$0.02 each such that its resultant authorized share capital was US$50,000,000 divided into 2,500,000,000 ordinary shares of US$0.02 each and its resultant issued share capital was approximately US$9,218,000 divided into 460,874,560 ordinary shares of US$0.02 each.

(ii) Capitalization issue (the "Capitalization Issue")

Subsequent to the Share Subdivision, an amount of approximately US$1,583,000 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.

Details of the above are set out in the paragraph headed "Resolutions of our Shareholders" in Appendix VI "Statutory and General Information" to this document.

V. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements of the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to 30 June 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

The forecast of our consolidated profit attributable to the owners of the Company for the year ending 31 December 2010 is set out in the paragraph headed "Profit Forecast for the Year Ending 31 December 2010" in the section headed "Financial Information" in this document.

(1) BASES AND ASSUMPTIONS

The forecast of our consolidated profit attributable to the owners of the Company for the year ending 31 December 2010 prepared by our Directors is based on the audited consolidated results of our Group for the six months ended 30 June 2010, the unaudited consolidated results shown in the unaudited consolidated management accounts of our Group for the two months ended 31 August 2010, and a forecast of the consolidated results of our Group for the remaining four months of the financial year ending 31 December 2010. The forecast has been prepared on the basis of the accounting policies consistent in all material aspects with those currently adopted by us as summarized in the Accountants' Report of the Group, the text of which is set out in Appendix I to this document and is based on the following principal assumptions:

- there will be no material change in existing political, legal, fiscal, market or economic conditions in the PRC or any other place, country or territory in which the Group currently operates or which are otherwise material to the Group's business;
- there will be no changes in legislation, regulations or rules in the PRC or any other place, country or territory in which the Group operates or with which the Group has arrangements or agreements, which materially adversely affect its business;
- there will be no material change in the bases or rates of taxation in the PRC or any other place, country or territory in which the Group operates, except as otherwise disclosed in this document;
- there will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing; and
- our operations will not be materially affected or interrupted by any force majeure events or unforeseeable factors or any unforeseeable reasons that are beyond the control of the Directors, including but not limited to the occurrence of natural disasters, epidemics or serious accidents.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from BMI Appraisals Limited, an independent valuer, in connection with its valuations as at 31 August 2010 of the properties held / intended to be acquired / rented by the Group located in the People's Republic of China and Taiwan.

BMI APPRAISALS

BMI Appraisals Limited 中和邦盟評估有限公司

Suite 11-18, 31/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong
香港灣仔港灣道6-8號瑞安中心3111-18室
Tel電話：(852) 2802 2191 Fax傳真：(852) 2802 0863
Email電郵：info@bmintelligence.com Website網址：www.bmi-appraisals.com

* 2010

The Directors
HL Technology Group Limited
Suites 06-12, 33/F
Shui On Centre
Nos. 6-8 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

INSTRUCTIONS

We refer to the instructions for us to value the properties held / intended to be acquired / rented by HL Technology Group Limited (the "Company") and / or its subsidiaries (hereinafter referred to as the "Group") located in the People's Republic of China (the "PRC") and Taiwan (the "properties"). We confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the properties as at 31 August 2010 (the "date of valuation").

BASIS OF VALUATION

Our valuations of the properties have been based on the Market Value, which is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

PROPERTY CATEGORIZATIONS

In the course of our valuations, the properties are categorized into the following Groups:

Group I — Properties held by the Group for owner-occupation in the PRC

Group II — Property held by the Group under development in the PRC

Group III — Property intended to be acquired by the Group in the PRC

Group IV — Properties rented by the Group in the PRC

Group V — Properties rented by the Group in Taiwan

VALUATION METHODOLOGIES

In valuing Property Nos. 1 and 2 in Group I, we have valued them on an open market basis by the Comparison Approach assuming sale in their existing states with the benefit of vacant possession and by making reference to comparable sales evidence as available in the relevant market. Appropriate adjustments have then been made to account for the differences between the properties and the comparables in terms of age, time, location and other relevant factors.

In valuing Property Nos. 3 to 6 in Group I, due to the inherent nature of usage and lack of market sales comparables, we have adopted the Depreciated Replacement Cost Approach. Depreciated replacement cost is defined as "the aggregate amount of the value of the land for the existing use or a notional replacement site in the same locality, and the new replacement cost of the buildings and other site works, from which appropriate deductions may then be made to allow for the age, condition, economic and functional obsolescence and environmental factors etc; all of these might result in the existing property being worth less to the undertaking in occupation than would a new replacement." This basis has been used due to the lack of an established market upon which to base comparable transactions. However this approach generally furnishes the most reliable indication of value for assets without a known used market.

In valuing Property No. 7 in Group II under development in the PRC, we have assumed that it will be developed and completed in accordance with the Group's development proposal. In arriving at our opinion of value, we have valued the land by the Comparison Approach by making reference to comparable transactions in the locality and have taken into account the construction costs and professional fees already spent and the remainder to be expended to complete the development.

For the properties in Groups III, IV and V, we have attributed no commercial value to the properties either because of their non-assignability in the open market or there are prohibitions against subletting and / or assignment contained in the tenancy agreements or the lack of marketable and substantial profit rents.

TITLE INVESTIGATION

We have been provided with copies of title documents and have been advised by the Group that no further relevant documents have been produced. However, we have not examined the original documents to verify ownership or to ascertain the existence of any amendment documents, which may not appear on the copies handed to us. In the course of our valuations, we have relied upon the advice and information given by the Group's PRC legal advisor — Deheng Law Firm Beijing Office regarding the title of the properties. All documents have been used for reference only.

In valuing the properties in Groups I and II, we have relied on the advice given by the Group and its PRC legal advisor that the Group has valid and enforceable title to the properties which are freely transferable, and has free and uninterrupted rights to use the same, for the whole of the unexpired terms granted subject to the payment of annual government rent / land use fees and all requisite land premium / purchase consideration payable have been fully settled.

VALUATION ASSUMPTIONS

Our valuations have been made on the assumption that the properties are sold in the market without the benefit of deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to affect the values of the properties.

In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the properties and no forced sale situation in any manner is assumed in our valuations.

VALUATION CONSIDERATIONS

We have inspected the properties externally and where possible, the interior of the properties. In the course of our inspections, we did not note any serious defects. However, no structural surveys have been made. We are, therefore, unable to report whether the properties are free from rot, infestation or any other structural defects. No tests were carried out on any of the services.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenures, particulars of occupancy, site / floor areas, completion dates of the buildings, identifications of the properties and other relevant information.

Except otherwise stated, dimensions, measurements and areas included in the valuation certificates are based on information contained in the leases and other documents provided to us and are therefore only approximations.

We have not carried out detailed on-site measurements to verify the correctness of the site / floor areas in respect of the properties but have assumed that the site / floor areas shown on the documents handed to us are correct.

We have no reason to doubt the truth and accuracy of the information provided to us by the Group and we have relied on your confirmation that no material facts have been omitted from the information provided. We consider that we have been provided with sufficient information for us to reach an informed view.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties or for any expenses or taxation, which may be incurred in effecting a sale or purchase.

Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

Our valuations have been prepared in accordance with the HKIS Valuation Standards on Properties (First Edition 2005) published by the Hong Kong Institute of Surveyors.

Our valuations have been prepared under the generally accepted valuation procedures and are in compliance with the requirements contained in the relevant rules.

REMARKS

We hereby certify that we neither have any present nor any prospective interest in the Group or the appraised properties or the values reported.

Unless otherwise stated, all money amounts stated herein are in Renminbi (RMB) and no allowances have been made for any exchange transfer.

Our summary of values and the valuation certificates are attached herewith.

Yours faithfully,

For and on behalf of
BMI APPRAISALS LIMITED

Dr. Tony C.H. Cheng
BSc, MUD, MBA (Finance), MSc (Eng), PhD (Econ), MHKIS, MCIArb, AFA, SIFM, FCIM, MASCE, MIET, MIEEE, MASME, MIIE
Managing Director

Joannau W.F. Chan
BSc. MSc. MRICS MHKIS RPS (GP)
Senior Director

Notes: *Dr. Tony C.H. Cheng is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 17 years' experience in valuations of properties in Hong Kong and the People's Republic of China.*

Ms. Joannau W.F. Chan is a member of The Hong Kong Institute of Surveyors (General Practice) who has over 17 years' experience in valuations of properties in Hong Kong and over 11 years' experience in valuations of properties in the People's Republic of China.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as at 31 August 2010 RMB
Group I — Properties held by the Group for owner-occupation in the PRC		
1.	Flat 702, Block 4, Quarter 1, Phoenix Garden, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 中國山東省威海市 經濟技術開發區 鳳凰花園一區4號702室	310,000
2.	Flat 702, Block 17, Quarter 1, Phoenix Garden, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 中國山東省威海市 經濟技術開發區 鳳凰花園一區17號702室	340,000
3.	An industrial complex located at Pu Dong Road, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 位於中國山東省威海市 經濟技術開發區 浦東路 之一個工業廠區	74,600,000
4.	An industrial complex located at the eastern side of Fu Min Road and Kai Yuan West Street, Linyi County, Dezhou City, Shandong Province, The PRC 位於中國山東省 德州市臨邑縣 開元西大街富民路東側 之一個工業廠區	40,720,000

No.	Property	Market Value in existing state as at 31 August 2010
		RMB
5.	An industrial complex located at No. 8 Liu Zhou Road, High & New Technology Industrial Park, Changshu City, Jiangsu Province, The PRC 位於中國江蘇省常熟市高新技術產業園柳州路8號之一個工業廠區	77,270,000
6.	An industrial complex located at No. 29 Zhi He Road, Heshi Town, Changshu City, Jiangsu Province, The PRC 位於中國江蘇省常熟市何市鎮支何路29號之一個工業廠區	12,330,000
	Sub-Total:	**205,570,000**

Group II — Property held by the Group under development in the PRC

No.	Property	Market Value in existing state as at 31 August 2010
7.	A land parcel together with various buildings and structures under development located in Beika Industrial Park, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 位於中國山東省威海市經濟技術開發區貝卡工業園之一塊土地及在建中若干建築物及構築物	23,700,000
	Sub-Total:	**23,700,000**

No.	Property	Market Value in existing state as at 31 August 2010
		RMB
	Group III — Property intended to be acquired by the Group in the PRC	
8.	Land Parcel Nos. Eight B18-06, Eight B19-01, Eight B8-08 and Eight B9-02 located in Mechanical & Electrical Material Zone, Yanjia Industrial Zone, Changshou District, Chongqing City, The PRC 位於中國重慶市長壽區晏家工業園區機電材料園區之八B18-06,八B19-01,八B8-08及八B9-02號地塊	No Commercial Value
	Sub-Total:	**Nil**
	Group IV — Properties rented by the Group in the PRC	
9.	An industrial building located at No. 1 Pu Dong Road, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 位於中國山東省威海市經濟技術開發區浦東路1號之一棟工業大廈	No Commercial Value
10.	Portions of Block 21, High Technology Industrial Park, Economic & Technology Development Zone, Wuhan City, Hubei Province, The PRC 中國湖北省武漢市經濟技術開發區高科技產業園21號樓之部份	No Commercial Value
11.	Portions of Shenlong Transportation Company Building, Hongsheng Quarters, Economic & Technology Development Zone, Wuhan City, Hubei Province, The PRC 中國湖北省武漢市經濟技術開發區紅升小區神龍運輸公司大樓之部份	No Commercial Value

No.	Property	Market Value in existing state as at 31 August 2010 RMB
12.	Portions of an industrial complex located in Shapuwei 2nd Industrial Zone, Songgang Street, Baoan District, Shenzhen City, Guangdong Province, The PRC 位於中國廣東省深圳市寶安區松崗街道沙浦圍第二工業區一個工業廠區之部份	No Commercial Value
	Sub-Total:	**Nil**

Group V — Properties rented by the Group in Taiwan

No.	Property	Market Value in existing state as at 31 August 2010 RMB
13.	Level 4 and Car Parking Space Nos. 72-75 and 83-87 on Level B2, Nos. 143, 145, and 147 Xinhu 1st Road, Neihu District, Taipei, Taiwan 臺灣 臺北市內湖區 新湖一路143,145及147號4樓及 B2層72至75及83-87號車位	No Commercial Value
14.	Level 1 and Car Parking Space Nos. 195 and 196 on Level B1, No. 147 Xinhu 1st Road, Neihu District, Taipei, Taiwan 臺灣 臺北市內湖區 新湖一路147號1樓及 B1層195及196號車位	No Commercial Value
	Sub-Total:	**Nil**
	Grand Total:	**229,270,000**

VALUATION CERTIFICATE

Group I — Properties held by the Group for owner-occupation in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
1.	Flat 702, Block 4, Quarter 1, Phoenix Garden, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 中國山東省威海市經濟技術開發區鳳凰花園一區4號702室	The property comprises a residential unit on Level 7 of a 7-storey building in a residential development known as "Phoenix Garden" (鳳凰花園) which was completed in about 1997. The gross floor area ("GFA") of the property is approximately 83.23 sq.m. (or about 895.89 sq.ft.). The land use rights of the property have been granted for a term expiring on 1 August 2064 for residential use.	As advised by the Group, the property is occupied by the Group as staff quarters.	310,000

Notes: -

1. As advised by the Group, the property was acquired in 2009 at a consideration of RMB190,000.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Wei Jing Ji Qu Guo Yong (2008) Di No. 329 (威經技區國用(2008)第329號), issued by Weihai City People's Government (威海市人民政府) dated 31 January 2008, the land use rights of the property have been granted to Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司) ("Weihai Electronic") for a term expiring on 1 August 2064 for residential use.

3. Pursuant to a Building Ownership Certificate (房屋所有權證), Wei Fang Quan Zheng Zi Di No. 2008004225 (威房權證字第2008004225號) issued by Weihai City Real Estate Administration Bureau (威海市房地產管理局) dated 30 January 2008, the property with a GFA of 83.23 sq.m. is legally owned by Weihai Electronic for residential use.

4. Pursuant to a Business License (企業法人營業執照), Registration No. 371000400002946 (註冊號 371000400002946) issued by Weihai City Industry and Commerce Administration Bureau (威海市工商行政管理局) dated 25 June 2009, Weihai Electronic was incorporated with a registered capital of US$20,000,000 for the business of manufacture of electronic connectors, mobile handset chargers, earphones, power cables, screw and terminals, plug-in components, moulds and sale of its own products and the operation is effective for a period from 27 November 1997 to 26 November 2012.

5. The status of title in accordance with the information provided by the Company is as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

6. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

   a. Weihai Electronic is in possession of a proper legal title to the property;

   b. The consideration of the property has been settled in full;

   c. The property is not subject to mortgage or any other material encumbrances; and

   d. The property may be freely disposed of in the open market.

7. As advised by the Company, Weihai Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
2.	Flat 702, Block 17, Quarter 1, Phoenix Garden, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 中國山東省威海市經濟技術開發區鳳凰花園一區17號702室	The property comprises a residential unit on Level 7 of a 7-storey building in a residential development known as "Phoenix Garden" (鳳凰花園) which was completed in about 1997. The gross floor area ("GFA") of the property is approximately 93.19 sq.m. (or about 1,003.1 sq.ft.). The land use rights of the property have been granted for a term expiring on 1 August 2064 for residential use.	As advised by the Group, the property is occupied by the Group as staff quarters.	340,000

Notes: -

1. As advised by the Group, the property was acquired in 2009 at a consideration of RMB210,000.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Wei Jing Ji Qu Guo Yong (2008) Di No. 338 (威經技區國用(2008)第338號), issued by Weihai City People's Government (威海市人民政府) dated 31 January 2008, the land use rights of the property have been granted to Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司) ("Weihai Electronic") for a term expiring on 1 August 2064 for residential use.

3. Pursuant to a Building Ownership Certificate (房屋所有權證), Wei Fang Quan Zheng Zi Di No. 2008004222 (威房權證字第2008004222號) issued by Weihai City Real Estate Administration Bureau (威海市房地產管理局) dated 30 January 2008, the property with a GFA of 93.19 sq.m. is legally owned by Weihai Electronic for residential use.

4. Pursuant to a Business License (企業法人營業執照), Registration No. 371000400002946 (註冊號 371000400002946) issued by Weihai City Industry and Commerce Administration Bureau (威海市工商行政管理局) dated 25 June 2009, Weihai Electronic was incorporated with a registered capital of US$20,000,000 for the business of manufacture of electronic connectors, mobile handset chargers, earphones, power cables, screw and terminals, plug-in components, moulds and sale of its own products and the operation is effective for a period from 27 November 1997 to 26 November 2012.

5. The status of title in accordance with the information provided by the Company is as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business License	Yes

6. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

   a. Weihai Electronic is in possession of a proper legal title to the property;

   b. The consideration of the property has been settled in full;

   c. The property is not subject to mortgage or any other material encumbrances; and

   d. The property may be freely disposed of in the open market.

7. As advised by the Company, Weihai Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
3.	An industrial complex located at Pu Dong Road, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 位於中國山東省威海市經濟技術開發區浦東路之一個工業廠區	The property comprises a land parcel with a site area of approximately 33,487 sq.m. (or about 360,454.07 sq.ft.) and 8 buildings and various ancillary structures erected thereon completed in various stages between 2002 and 2009. The total gross floor area ("GFA") of the buildings is approximately 55,248.97 sq.m. (or about 594,699.91 sq.ft.). The land use rights of the property have been granted for a term expiring on 26 December 2057 for industrial use.	As advised by the Group, a portion of the property with a GFA of approximately 40,399.6 sq.m. is leased to Weihai Honglin Wire & Cable Co., Ltd. (威海市泓淋電線電纜有限公司), an indirect wholly-owned subsidiary of the Company, for a term commencing on 1 January 2010 and expiring on 31 December 2012 at an annual rent of RMB1,211,988 for industrial and dormitory uses. The remaining portion of the property is occupied by Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司) ("Weihai Electronic") for industrial, storage, dormitory and ancillary uses.	74,600,000

Notes: -

1. Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同), No. (2008)2 (編號: (2008)2), entered into between Shandong Province Weihai City Land & Resources Bureau (山東省威海市國土資源局) and Weihai Electronic dated 16 January 2008, the former agreed to grant to the latter the land use rights of the property for a term of 50 years for industrial use at a land premium of RMB10,196,792.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Wei Jing Ji Qu Guo Yong (2008) Di No. D-007 (威經技區國用(2008)第D-007號), issued by Weihai City People's Government (威海市人民政府) dated 21 January 2008, the land use rights of the property with a site area of 33,487 sq.m. have been granted to Weihai Electronic for a term expiring on 26 December 2057 for industrial use.

3. Pursuant to 8 Building Ownership Certificates (房屋所有權證) issued by Weihai City Real Estate Administration Bureau (威海市房地產管理局) and Weihai City Housing Supply & Real Estate Administration Bureau (威海市住房保障和房產管理局) dated 6 January 2009 and 17 June 2010 respectively, 8 buildings of the property with a total GFA of 55,248.97 sq.m. are legally owned by Weihai Electronic. The details of which are as follows:

No.	Certificate No.	GFA
		sq.m.
1.	Wei Fang Quan Zheng Zi Di No. 2009000317	4,717.69
2.	Wei Fang Quan Zheng Zi Di No. 2009000330	4,717.69
3.	Wei Fang Quan Zheng Zi Di No. 2009000336	4,717.69
4.	Wei Fang Quan Zheng Zi Di No. 2009000339	4,717.69
5.	Wei Fang Quan Zheng Zi Di No. 2009000347	16,981.19
6.	Wei Fang Quan Zheng Zi Di No. 2009000346	16,384.00
7.	Wei Fang Quan Zheng Zi Di No. 2010036585	2,896.32
8.	Wei Fang Quan Zheng Zi Di No. 2010036593	116.70
	Total:	**55,248.97**

4. Pursuant to a Business License (企業法人營業執照), Registration No. 371000400002946 (註冊號 371000400002946) issued by Weihai City Industry and Commerce Administration Bureau (威海市工商行政管理局) dated 25 June 2009, Weihai Electronic was incorporated with a registered capital of US$20,000,000 for the business of manufacture of electronic connectors, mobile handset chargers, earphones, power cables, screw and terminals, plug-in components, moulds and sale of its own products and the operation is effective for a period from 27 November 1997 to 26 November 2012.

5. The status of title in accordance with the information provided by the Company is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes
Business License	Yes

6. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), 2009 Nian Wei Zhong Yin Si Zui Gao E Di Zi No. 005 (2009年威中銀司最高額抵字005號), and a Maximum Amount Mortgage Contract Amendment Agreement (最高額抵押合同變更協議書) entered into between Weihai Electronic and Bank of China Limited Weihai Branch (中國銀行股份有限公司威海分行), the property is subject to a mortgage at a maximum loan amount of RMB16,000,000.

7. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), No. 37906200900000092 (合同編號 37906200900000092), entered into between Agricultural Bank of China Weihai City Branch (中國農業銀行威海市分行) and Weihai Electronic dated 8 January 2009, the property is subject to a mortgage at a maximum loan amount of RMB47,000,000.

8. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

   a. Weihai Electronic is in possession of a proper legal title to the land parcel and the 8 buildings of the property and is entitled to transfer them with their residual terms of land use rights at no extra land premium or other onerous payment payable to the government;

   b. The land premium has been settled in full;

   c. Apart from the aforementioned mortgages in Notes 6-7, the property is not subject to any other mortgage or material encumbrances;

   d. The existing use, design, planning and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and

   e. Upon obtaining the consents from the relevant mortgagees, the property may be freely disposed of in the open market.

9. As advised by the Company, Weihai Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
4.	An industrial complex located at the eastern side of Fu Min Road and Kai Yuan West Street, Linyi County, Dezhou City, Shandong Province, The PRC 位於中國山東省德州市臨邑縣開元西大街富民路東側之一個工業廠區	The property comprises 2 land parcels with a total site area of approximately 164,461.07 sq.m. (or about 1,770,258.96 sq.ft.) and 10 buildings and various ancillary structures erected thereon completed in various stages between 2007 and 2009 (the "completed property"). The total gross floor area ("GFA") of the 10 buildings of the completed property is approximately 38,247.94 sq.m. (or about 411,700.83 sq.ft.). In addition to the completed property, the property also comprises 3 buildings which are under construction (the "CIP") with a total proposed GFA of approximately 7,929 sq.m. (or about 85,347.76 sq.ft.) upon completion as scheduled in 2010. The land use rights of the property have been granted for a term expiring on 12 December 2056 for industrial use.	As advised by the Group, the completed property is occupied by the Group for industrial, office, dormitory and ancillary uses. The CIP is under construction.	40,720,000

Notes: -

1. Pursuant to 2 State-owned Land Use Rights Grant Contracts (國有土地使用權出讓合同), Contract Nos. 2006-075 and 2006-076 (合同編號：2006-075及2006-076號), entered into between Shandong Province Linyi County Land & Resources Bureau (山東省臨邑縣國土資源局) and Dezhou Honglin Electronic Co., Ltd. (德州泓淋電子有限公司) ("Dezhou Electronic") both dated 12 December 2006, the former agreed to grant to the latter the land use rights of the property for a term of 50 years for industrial use at a total land premium of RMB1,973,532.8.

2. Pursuant to 2 State-owned Land Use Rights Certificates (國有土地使用證), Lin Guo Yong (2006) Di Nos. 398 and 399 (臨國用(2006)第398及399號), issued by Linyi County People's Government (臨邑縣人民政府) both dated 12 December 2006, the land use rights of the property with a total site area of 164,461.07 sq.m. have been granted to Dezhou Electronic for a term expiring on 12 December 2056 for industrial use.

3. Pursuant to 4 Building Ownership Certificates (房屋所有權證) issued by Linyi County Real Estate Administration Bureau (臨邑縣房地產管理局) dated 27 April 2007 and 19 November 2007 respectively, 10 buildings of the completed property with a total GFA of 38,247.94 sq.m. are legally owned by Dezhou Electronic. The details of which are as follows:

No.	Certificate No.	GFA
		sq.m.
1.	Lu Lin Fang Quan Zheng Cheng Zi Di No. 20235	28,410.28
2.	Lu Lin Fang Quan Zheng Cheng Zi Di No. 20236	4,891.30
3.	Lu Lin Fang Quan Zheng Cheng Zi Di No. 21895	2,473.18
4.	Lu Lin Fang Quan Zheng Cheng Zi Di No. 21896	2,473.18
	Total:	**38,247.94**

4. Pursuant to a Construction Project Planning Permit (建設工程規劃許可證), Jian Zi Di No. 372010-020 (建字第372010-020號), entered into between Linyi County Planning & Design Bureau (臨邑縣規劃設計局) and Dezhou Electronic dated 21 June 2010, Dezhou Electronic was permitted to develop the CIP with a planned total GFA of about 7,929 sq.m.

5. Pursuant to a Construction Works Commencement Permit (建築工程施工許可證), No. 2010-10 (編號 2010-10), issued by Linyi County Construction Bureau (臨邑縣建設局) dated 20 April 2010, the construction work of the CIP with a total planned GFA of approximately 7,929 sq.m. was permitted to commence on the property.

6. Pursuant to a Business License (企業法人營業執照), Registration No. 371400400002631 (註冊號 371400400002631) issued by Dezhou City Industry & Commerce Administration Bureau (德州市工商行政管理局) dated 29 January 2008, Dezhou Electronic was incorporated with a registered capital of US$3,000,000 for the business of manufacture of electronic wires, cables and components and sale of its own products and the operation is effective for a period from 13 March 2006 to 12 March 2026.

7. The status of title in accordance with the information provided by the Company is as follows:

State-owned Land Use Rights Grant Contracts	Yes
State-owned Land Use Rights Certificates	Yes
Building Ownership Certificates	Yes
Construction Project Planning Permit	Yes
Construction Works Commencement Permit	Yes
Business License	Yes

8. As advised by the Group, the construction cost expended for the CIP up to the date of valuation was approximately RMB5,430,000 and the proposed total construction cost of the CIP would be RMB8,100,000.

9. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), Contract No. LYZGE1007 (合同編號: LYZGE1007), entered into between Dezhou Electronic and China Construction Bank Corporation Linyi Branch (中國建設銀行股份有限公司臨邑支行) dated 4 August 2010, the property is subject to a mortgage at a maximum loan amount of RMB25,000,000.

10. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

    a. Dezhou Electronic is in possession of a proper legal title to the land parcels and buildings of the property and is entitled to transfer them with their residual terms of land use rights at no extra land premium or other onerous payment payable to the government;

    b. The land premium has been settled in full;

    c. Apart from the aforementioned mortgage in Note 9, the property is not subject to any other mortgage or material encumbrances;

    d. The existing use, design, planning and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities;

    e. After completion of the construction inspection, there exist no legal impediments for Dezhou Electronic to obtain the relevant title documents for the CIP of the property; and

    f. Upon obtaining the consents from the relevant mortgagee, the property may be freely disposed of in the open market.

11. As advised by the Company, Dezhou Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
5.	An industrial complex located at No. 8 Liu Zhou Road, High & New Technology Industrial Park, Changshu City, Jiangsu Province, The PRC 位於中國江蘇省常熟市高新技術產業園柳州路8號之一個工業廠區	The property comprises 3 land parcels with a total site area of approximately 55,251 sq.m. (or about 594,721.76 sq.ft.) and 10 buildings and various ancillary structures erected thereon completed in various stages between 2006 and 2007 (the "completed property"). The total gross floor area ("GFA") of the 10 buildings of the completed property is approximately 55,556.68 sq.m. (or about 598,012.1 sq.ft.). In addition to the completed property, the property also comprises 2 buildings which are under construction (the "CIP") with a total proposed GFA of approximately 21,769 sq.m. (or about 234,321.52 sq.ft.) upon completion as scheduled in 2010. The land use rights of the property have been granted for various terms with the earliest expiry date on 9 June 2054. For details, please refer to Note 2.	As advised by the Group, a portion of the completed property with a GFA of approximately 19,590.16 sq.m. is leased to Changshu Honglin Electronic Co., Ltd. (常熟泓淋電子有限公司), an indirect wholly-owned subsidiary of the Company, for a term commencing on 1 January 2010 and expiring on 31 December 2010 at an annual rent of RMB478,328 for industrial use. A portion of the completed property with a GFA of approximately 14,976.09 sq.m. is leased to Changshu Honglin Wire & Cable Co., Ltd. (常熟泓淋電線電纜有限公司), an indirect wholly-owned subsidiary of the Company, for a term commencing on 1 January 2010 and expiring on 31 December 2010 at an annual rent of RMB365,667 for industrial use. The remaining portion of the completed property with a GFA of approximately 20,990.43 sq.m. is occupied by Changshu Honglin Connecting-Technology Co., Ltd. (常熟泓淋連接技術有限公司) ("Changshu Connecting-Technology") for industrial, office, dormitory and ancillary uses. The CIP is under construction.	77,270,000

Notes: -

1. Pursuant to 3 State-owned Land Use Rights Grant Contracts (國有土地使用權出讓合同), Chang Di Rang He (2004) Di Nos. 72 and 227 and Chang Di Rang He (2005) Di No. 51 (常地讓合(2004)第72及227號及常地讓合(2005)第51號), entered into between Jiangsu Province Changshu City Land & Resources Bureau (江蘇省常熟市國土資源局) and Changshu Connecting-Technology dated 10 June 2004, 10 December 2004 and 21 April 2005 respectively, the former agreed to grant to the latter the land use rights of the property for a term of 50 years for industrial use at a total land premium of RMB10,397,690.

2. Pursuant to 3 State-owned Land Use Rights Certificates (國有土地使用證) issued by Changshu City People's Government (常熟市人民政府), the land use rights of the property with a total site area of 55,251 sq.m. have been granted to Changshu Connecting-Technology. The details of which are as follows:

No.	Certificate No.	Expiry Date	Site Area
			sq.m.
1.	Chang Guo Yong (2007) Zi Di No. 001649	20 April 2055	32,000.00
2.	Chang Guo Yong (2007) Zi Di No. 001650	9 December 2054	13,251.00
3.	Chang Guo Yong (2007) Zi Di No. 001651	9 June 2054	10,000.00
		Total:	**55,251.00**

3. Pursuant to 10 Building Ownership Certificates (房屋所有權證) all issued by Changshu City Real Estate Administration Bureau (常熟市房產管理局), 10 buildings of the completed property with a total GFA of 55,556.68 sq.m. are legally owned by Changshu Connecting-Technology. The details of which are as follows:

No.	Certificate No.	GFA
		sq.m.
1.	Shu Fang Quan Zheng Yu Shan Zi Di No. 09002900	6,274.36
2.	Shu Fang Quan Zheng Yu Shan Zi Di No. 09002901	5,543.70
3.	Shu Fang Quan Zheng Yu Shan Zi Di No. 09002902	4,015.52
4.	Shu Fang Quan Zheng Yu Shan Zi Di No. 09002903	2,306.95
5.	Shu Fang Quan Zheng Yu Shan Zi Di No. 09002905	867.99
6.	Shu Fang Quan Zheng Yu Shan Zi Di No. 00113559	5,076.53
7.	Shu Fang Quan Zheng Yu Shan Zi Di No. 00113560	5,076.53
8.	Shu Fang Quan Zheng Yu Shan Zi Di No. 00113561	10,685.34
9.	Shu Fang Quan Zheng Yu Shan Zi Di No.10012947	10,624.92
10.	Shu Fang Quan Zheng Yu Shan Zi Di No.10012948	5,084.84
	Total:	**55,556.68**

4. Pursuant to a Construction Project Planning Permit (建設工程規劃許可證), Project No. 320581201000094 (項目總編號: 320581201000094), entered into between Changshu City Planning Bureau (常熟市規劃局) and Changshu Connecting-Technology dated 9 March 2010, Changshu Connecting-Technology was permitted to develop the CIP with a planned total GFA of about 21,769 sq.m.

5. Pursuant to 2 Construction Works Commencement Permits (建築工程施工許可證), Nos. 320581201004130201 and 320581201004160201 (編號 320581201004130201 及 320581201004160201), issued by Changshu City Construction Bureau (常熟市建設局) dated 13 April 2010 and 16 April 2010 respectively, the construction work of the CIP with a total planned GFA of approximately 21,769 sq.m. was permitted to commence on the property.

6. Pursuant to a Business License (企業法人營業執照), Registration No. 320581400001649 (註冊號 320581400001649) issued by Suzhou City Changshu Industry and Commerce Administration Bureau (蘇州市常熟工商行政管理局) dated 22 June 2009, Changshu Connecting-Technology was incorporated with a registered capital of US$8,500,000 for the business of development and manufacture of plug-in components, nonferrous metal composite materials, moulds, metal stamping parts, data cables, power cables, FFC electronic-mechanical components, and precession moulds and sale of its own products and the operation is effective for a period from 1 March 2004 to 29 February 2024.

7. The status of title in accordance with the information provided by the Company is as follows:

State-owned Land Use Rights Grant Contracts	Yes
State-owned Land Use Rights Certificates	Yes
Building Ownership Certificates	Yes
Construction Project Planning Permit	Yes
Construction Works Commencement Permits	Yes
Business License	Yes

8. As advised by the Group, the construction cost expended for the CIP up to the date of valuation was approximately RMB16,140,000 and the proposed total construction cost of the CIP would be approximately RMB19,860,000.

9. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), No. Zhong Yin Di Jie Zi No. 08135 (中銀抵借字08135號), entered into between Changshu Connecting-Technology and Bank of China Limited Changshu Branch (中國銀行股份有限公司常熟支行) ("BOC Changshu") dated 11 December 2008, the property is subject to a mortgage at a maximum loan amount of RMB7,800,000.

10. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), No. Zhong Yin Di Jie Zi No. 09041 (中銀抵借字09041號), entered into between Changshu Connecting-Technology and BOC Changshu dated 19 May 2009, the property is subject to a mortgage at a maximum loan amount of RMB3,090,000.

11. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), No. Zhong Yin Di Jie Zi No. 09042 (中銀抵借字09042號), entered into between Changshu Connecting-Technology and BOC Changshu dated 19 May 2009, the property is subject to a mortgage at a maximum loan amount of RMB10,000,000.

12. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), No. Zhong Yin Di Jie Zi No. 09043 (中銀抵借字09043號), entered into between Changshu Connecting-Technology and BOC Changshu dated 23 June 2009, the property is subject to a mortgage at a maximum loan amount of RMB24,870,000.

13. Pursuant to 2 Maximum Amount Mortgage Contracts (最高額抵押合同), Su Guang Shu Di T (2010) 008 and 009 (蘇光熟抵T（2010）008及009), entered into between Changshu Connecting-Technology and China Everbright Bank Changshu Branch (中國光大銀行常熟支行) dated 12 April 2010, the property is subject to a mortgage at a maximum loan amount of RMB40,000,000.

14. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

    a. Changshu Connecting-Technology is in possession of a proper legal title to the land parcels and buildings of the property and is entitled to transfer them with their residual terms of land use rights at no extra land premium or other onerous payment payable to the government;

    b. The land premium has been settled in full;

    c. Apart from the aforementioned mortgages in Notes 9-13, the property is not subject to any other mortgage or material encumbrances;

    d. The existing use, design, planning and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities;

    e. After completion of the construction inspection, there exist no legal impediments for Changshu Connecting-Technology to obtain the relevant title documents for the CIP of the property; and

    f. Upon obtaining the consent from the relevant mortgagees, the property may be freely disposed of in the open market.

15. As advised by the Company, Changshu Connecting-Technology is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
6.	An industrial complex located at No. 29 Zhi He Road, Heshi Town, Changshu City, Jiangsu Province, The PRC 位於中國江蘇省常熟市何市鎮支何路29號之一個工業廠區	The property comprises a land parcel with a site area of approximately 13,211 sq.m. (or about 142,203.2 sq.ft.) and 5 buildings and various ancillary structures erected thereon completed in 2005. The total gross floor area ("GFA") of the buildings is approximately 11,348.76 sq.m. (or about 122,158.05 sq.ft.). The land use rights of the property have been granted for a term expiring on 15 October 2052 for industrial use.	As advised by the Group, a portion of the property with a GFA of approximately 6,538.23 sq.m. is leased to Changshu Huarui Precision Electronics Co., Ltd. (常熟華銳精密電子有限公司), an indirect wholly-owned subsidiary of the Company, for a term commencing on 1 January 2010 and expiring on 31 December 2010 at an annual rent of RMB130,764.6 for industrial use. The remaining portion of the property is occupied by Changshu Honglin Electronic Co., Ltd. (常熟泓淋電子有限公司) ("Changshu Electronic") for industrial, storage, office, dormitory and ancillary uses.	12,330,000

Notes: -

1. Pursuant to a State-owned Land Use Rights Grant Contract (國有土地使用權出讓合同), entered into between Jiangsu Province Changshu City Land & Resources Bureau (江蘇省常熟市國土資源局) and Changshu Electronic dated 16 October 2002, the former agreed to grant to the latter the land use rights of the property for a term of 50 years for industrial use at a land premium of RMB1,915,595.

2. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Chang Rang Guo Yong (2002) Zi Di No. 724 (常讓國用(2002)字第724號), issued by Changshu City Land Resources Bureau (常熟市國土資源局) dated 12 November 2002, the land use rights of the property with a site area of 13,211 sq.m. have been granted to Changshu Electronic for a term expiring on 15 October 2052 for industrial use.

3. Pursuant to 5 Building Ownership Certificates (房屋所有權證) all issued by Changshu City Real Estate Administration Bureau (常熟市房產管理局), 5 buildings of the property with a total GFA of 11,348.76 sq.m. are legally owned by Changshu Electronic. The details of which are as follows:

No.	Certificate No.	GFA
		sq.m.
1.	Shu Fang Quan Zheng Zhi Tang Zi Di No. 09005951	525.44
2.	Shu Fang Quan Zheng Zhi Tang Zi Di No. 09005952	3,582.42
3.	Shu Fang Quan Zheng Zhi Tang Zi Di No. 09005953	3,047.03
4.	Shu Fang Quan Zheng Zhi Tang Zi Di No. 09005954	1,715.31
5.	Shu Fang Quan Zheng Zhi Tang Zi Di No. 09005955	2,478.56
	Total:	**11,348.76**

4. Pursuant to a Business License (企業法人營業執照), Registration No. 320581400005556 (註冊號 320581400005556) issued by Suzhou City Changshu Industry and Commerce Administration Bureau (蘇州市常熟工商行政管理局) dated 15 September 2009, Changshu Electronic was incorporated with a registered capital of US$5,000,000 for the business of manufacture of computer accessory cables and connectors, interior and exterior connecting cables of notebook computer, digital camera and mobile handset, FFC electronic-mechanical components, and sale of its own products and the operation is effective for a period from 10 June 2002 to 9 June 2022.

5. The status of title in accordance with the information provided by the Company is as follows:

State-owned Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes
Business License	Yes

6. Pursuant to a Maximum Amount Mortgage Contract (最高額抵押合同), Su Guang Shu Di T (2010) 017 (蘇光熟抵 T(2010) 017), entered into between Changshu Electronic and China Everbright Bank Changshu Branch (中國光大銀行常熟支行) dated 29 July 2010, the property is subject to a mortgage at a maximum loan amount of RMB10,000,000.

7. The opinion of the PRC legal advisor to the Company contains, *inter-alia*, the following:

   a. Changshu Electronic is in possession of a proper legal title to the land parcel and the 5 buildings of the property and is entitled to transfer them with their residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. The land premium has been settled in full;

   c. Apart from the aforementioned mortgage in Note 6, the property is not subject to any other mortgage or material encumbrances;

   d. The existing use, design, planning and construction of the property are in compliance with the local planning regulations and have been approved by the relevant government authorities; and

   e. Upon obtaining the consents from the relevant mortgagee, the property may be freely disposed of in the open market.

8. As advised by the Company, Changshu Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II — Property held by the Group under development in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
7.	A land parcel together with various buildings and structures under development located in Beika Industrial Park, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 位於中國山東省威海市經濟技術開發區貝卡工業園之一塊土地及在建中若干建築物及構築物	The property comprises a parcel of land with a site area of approximately 33,397 sq.m. (or about 359,485.31 sq.ft.) together with various buildings and structures which are under development (the "CIP"). As advised by the Company, the proposed total gross floor area ("GFA") of the property will be approximately 52,044.7 sq.m. (or about 560,209.15 sq.ft.) upon completion as scheduled in 2010. The land use rights of the property have be granted for a term expiring on 22 April 2060 for industrial use.	The property is under development.	23,700,000

Notes: -

1. Pursuant to a State-owned Construction Land Use Rights Auction Transaction Confirmation Letter (國有建設用地使用權掛牌成交確認書) (the "Confirmation Letter") entered into between Weiahi City Land & Resources Bureau (威海市國土資源局) (the "Bureau"), Weihai Zhongdi Auctions Co., Ltd. (威海中地拍賣有限公司) and Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司) ("Weihai Electronic") dated 5 March 2010, the Bureau confirmed that Weihai Electronic had made a successful bid for the acquisition of the land use rights of the property with a site area of 33,397 sq.m. at a consideration of RMB10,169,387.

2. Pursuant to a State-owned Construction Land Use Rights Grant Contract (國有建設用地使用權出讓合同), No. Wei Hai-01-2010-0056 (合同編號：威海-01-2010-0056), entered into between Weiahi City Land & Resources Bureau (威海市國土資源局) and Weihai Electronic dated 23 April 2010, the former agreed to grant the latter the land use rights of the property with the following salient conditions:

Use:	Industrial
Site Area:	33,397 sq.m.
Land Use Term:	50 years commencing on the handover date of the land parcel
Plot Ratio:	not less than 0.6 and not more than 1.2
Maximum Building Height:	24 meters
Building Density:	35% to 45% (inclusive)
Greenery Ratio:	10% to 15% (inclusive)
Commencement Date of Construction Work:	before 23 October 2010
Completion Date of Construction Work:	before 23 April 2012

3. Pursuant to a State-owned Land Use Rights Certificate (國有土地使用證), Wei Jing Ji Qu Guo Yong (2010) Di No. D-043 (威經技區國用(2010)第D-043號), issued by Weihai City People's Government (威海市人民政府) dated 31 May 2010, the land use rights of the property with a site area of 33,397 sq.m. have been granted to Weihai Electronic for a term expiring on 22 April 2060 for industrial use.

4. Pursuant to a Construction Project Planning Permit (建設工程規劃許可證), Jian Zi Di No. 3710012010B0284 (建字第 3710012010B0284 號), entered into between Weihai City Planning Bureau (威海市規劃局) and Weihai Electronic dated 29 July 2010, Weihai Electronic was permitted to develop the CIP with a planned total GFA of about 52,044.7 sq.m.

5. Pursuant to a Construction Works Commencement Permit (建築工程施工許可證), No. 371085201008110101 (編號 371085201008110101), issued by Weihai Economic & Technology Development Zone Construction Bureau (威海經濟技術開發區建設局) dated 11 August 2010, the construction work of the CIP with a planned total GFA of approximately 52,044.7 sq.m. was permitted to commence on the property.

6. Pursuant to a Business License (企業法人營業執照), Registration No. 371000400002946 (註冊號 371000400002946) issued by Weihai City Industry and Commerce Administration Bureau (威海市工商行政管理局) dated 25 June 2009, Weihai Electronic was incorporated with a registered capital of US$20,000,000 for the business of manufacture of electronic connectors, mobile handset chargers, earphones, power cables, screw and terminals, plug-in components, moulds and sale of its own products and the operation is effective for a period from 27 November 1997 to 26 November 2012.

7. The status of title in accordance with the information provided by the Company is as follows:

Confirmation Letter	Yes
State-owned Construction Land Use Rights Grant Contract	Yes
State-owned Land Use Rights Certificate	Yes
Construction Project Planning Permit	Yes
Construction Works Commencement Permit	Yes
Business License	Yes

8. As advised by the Group, the construction cost expended for the CIP up to the date of valuation was approximately RMB13,500,000 and the proposed total construction cost of the CIP would be RMB51,670,000.

9. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

   a. Weihai Electronic is in possession of a property legal title to the land parcel of the property and is entitled to transfer it with its residual term of land use rights at no extra land premium or other onerous payment payable to the government;

   b. The land premium has been settled in full;

   c. The property is not subject to mortgage or any other material encumbrances;

   d. The design, planning and construction of the property are in compliance with the local planning regulation and have been approved by the relevant government authorities;

   e. After completion of the construction inspection, there exist no legal impediments for Weihai Electronic to obtain the relevant title documents for the CIP of the property; and

   f. The property may be freely disposed of in the open market.

10. As advised by the Company, Weihai Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group III — Property intended to be acquired by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
8.	Land Parcel Nos. Eight B18-06, Eight B19-01, Eight B8-08 and Eight B9-02 located in Mechanical & Electrical Material Zone, Yanjia Industrial Zone, Changshou District, Chongqing City, The PRC 位於中國重慶市長壽區晏家工業園區機電材料園區之八B18-06,八B19-01,八B8-08及八B9-02號地塊	The property comprises 4 parcels of vacant land with a total site area of approximately 266,666.8 sq.m. (or about 2,870,401.44 sq.ft.).	The property is vacant.	No Commercial Value

Notes: -

1. Pursuant to an Investment Agreement (投資協議) (the "Investment Agreement"), entered into between Chongqing City Changshou District People's Government (重慶市長壽區人民政府) and Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司) ("Weihai Electronic") dated 24 April 2010, the earlier agreed to grant the land use rights of the property with a total site area of approximately 266,666.8 sq.m. to the successful bidder of the auction.

2. Pursuant to a Business License (企業法人營業執照), Registration No. 371000400002946 (註冊號 371000400002946) issued by Weihai City Industry and Commerce Administration Bureau (威海市工商行政管理局) dated 25 June 2009, Weihai Electronic was incorporated with a registered capital of US$20,000,000 for the business of manufacture of electronic connectors, mobile handset chargers, earphones, power cables, screw and terminals, plug-in components, moulds and sale of its own products and the operation is effective for a period from 27 November 1997 to 26 November 2012.

3. The status of title in accordance with the information provided by the Company is as follows:

Investment Agreement	Yes
Business License	Yes

4. We have attributed no commercial value to the property due to the absence of relevant title documents.

5. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

   a. The Investment Agreement is legally valid; and

   b. After a successful bid and the land premium has been settled, there exist no legal impediments for Weihai Electronic to be granted with the land use rights of the property and to obtain the relevant State-owned Land Use Rights Certificates (國有土地使用權證).

6. As advised by the Company, Weihai Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group IV — Properties rented by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
9.	An industrial building located at No. 1 Pu Dong Road, Economic & Technology Development Zone, Weihai City, Shandong Province, The PRC 位於中國山東省威海市經濟技術開發區浦東路1號之一棟工業大廈	The property comprises a 3-storey industrial building completed in about 2009. As advised by the Group, the gross floor area ("GFA") of the property is approximately 2,000 sq.m. (or about 21,528 sq.ft.). The property is leased to the Group for a term of 3 years commencing on 1 September 2009 and expiring on 31 August 2012.	The property is occupied by the Group for industrial use.	No Commercial Value

Notes: -

1. Pursuant to a Factory Tenancy Contract ("廠房租賃合同") (the "Contract") entered into between Weihai World Sports Equipment Co., Ltd. (威海沃爾德體育用品有限公司) ("Weihai World"), an independent third party, and Weihai Honglin Electronic Co., Ltd. (威海市泓淋電子有限公司) ("Weihai Electronic") dated 30 June 2009, the property is leased to Weihai Electronic for a term of 3 years commencing on 1 September 2009 and expiring on 31 August 2012 at a monthly rent of RMB5,000 inclusive of tax and exclusive of water, electricity, steam, maintenance, telephone and broadband internet charges.

2. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

   a. The relevant State-owned Land Use Rights Certificate of the property has been obtained by Weihai World;

   b. Relevant legal documents of the building ownership of the property is under application by Weihai World;

   c. The Contract might be identified to be invalid by the relevant authorized judiciary of the PRC; and

   d. The Contract has been registered in Weihai Economic & Technology Development Zone Real Estate Administration Office (威海經濟技術開發區房產管理辦公室).

3. As advised by the Company, Weihai Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
10.	Portions of Block 21, High Technology Industrial Park, Economic & Technology Development Zone, Wuhan City, Hubei Province, The PRC 中國湖北省武漢市經濟技術開發區高科技產業園21號樓之部份	The property comprises the whole of Level 3 and a portion of Level 4 of a 4-storey industrial building completed in about 2004. As advised by the Group, the total gross floor area ("GFA") of the property is approximately 5,607 sq.m. (or about 60,353.75 sq.ft.). The property is leased to the Group for a term of 1 year commencing on 1 April 2010 and expiring on 31 March 2011.	The property is occupied by the Group for office, industrial, storage and ancillary uses.	No Commercial Value

Notes: -

1. Pursuant to a Building Tenancy Contract ("房屋租賃合同書") (the "Contract") entered into between Wuhan Modern Manufactory Industry Carve-Out Service Center Co., Ltd. (武漢現代製造業創業服務中心有限公司) ("Service Center"), an independent third party, and Wuhan Honglin Electronic Co., Ltd. (武漢泓淋電子有限公司) ("Wuhan Electronic") dated 31 March 2010, the property is leased to Wuhan Electronic for a term of 1 year commencing on 1 April 2010 and expiring on 31 March 2011 at a monthly rent of RMB55,516 inclusive of management fees, lift and garbage charges and exclusive of water and electricity charges.

2. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

   a. Relevant State-owned Land Use Rights Certificate and Building Ownership Certificate of the property have not been obtained by Service Center;

   b. The Contract has not been registered as the relevant registration services are not available;

   c. The Contract might be identified to be invalid by the relevant authorized judiciary of the PRC; and

   d. The non-registration of the Contract will not affect the legality of the Contract.

3. As advised by the Company, Wuhan Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
11.	Portions of Shenlong Transportation Company Building, Hongsheng Quarters, Economic & Technology Development Zone, Wuhan City, Hubei Province, The PRC 中國湖北省武漢市經濟技術開發區紅升小區神龍運輸公司大樓之部份	The property comprises the whole of Levels 1 and 2 and a portion of Level 3 ("Portion A") and a portion of Level 4 ("Portion B") of a 4-storey office building completed in about 1999. As advised by the Group, the total gross floor area ("GFA") of the property is approximately 1,420 sq.m. (or about 15,284.88 sq.ft.). The property is leased to the Group for 2 terms expiring on 31 November 2010 and 30 April 2011 respectively.	The property is occupied by the Group for staff quarters use.	No Commercial Value

Notes: -

1. Pursuant to a Building Tenancy Contract (房屋租賃合同) (the "Contract") entered into between Wuhan Shenlong Transportation Co., Ltd. (武漢神龍運輸有限公司) (recently known as "Wuhan Shenlong Logistics Co., Ltd. (武漢神龍物流有限公司)") ("Wuhan Shenlong"), an independent third party, and Wuhan Honglin Electronic Co., Ltd. (武漢泓淋電子有限公司) ("Wuhan Electronic"), Portion A with a total GFA of 1,160 sq.m. is leased to Wuhan Electronic for a term of 1 year commencing on 1 December 2009 and expiring on 31 November 2010 at a monthly rent of RMB12,500 and a monthly garbage charge of RMB480 exclusive of water and electricity charges.

2. Pursuant to a Building Tenancy Contract (房屋租賃合同) (together with the Contract referred to as the "Contracts") entered into between Wuhan Shenlong and Wuhan Electronic dated 4 May 2010, Portion B with a total GFA of 260 sq.m. is leased to Wuhan Electronic for a term of 1 year commencing on 1 May 2010 and expiring on 30 April 2011 at an annual rent of RMB32,000 exclusive of water, electricity and other charges.

3. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

   a. The Contracts have not been registered as the relevant registration services are not available;

   b. The Contracts might be identified to be invalid by the relevant authorized judiciary of the PRC; and

   c. The non-registration of the Contracts will not affect the legality of the Contracts.

4. As advised by the Company, Wuhan Electronic is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
12.	Portions of an industrial complex located in Shapuwei 2nd Industrial Zone, Songgang Street, Baoan District, Shenzhen City, Guangdong Province, The PRC 位於中國廣東省深圳市寶安區松崗街道沙浦圍第二工業區一個工業廠區之部份	The property comprises the whole of Level 1 and Level 3 of a 3-storey industrial building and the whole of Levels 1, 2 and 4 of a 4-storey dormitory of an industrial complex completed in about 2007. As advised by the Group, the total gross floor area ("GFA") of the property is approximately 2,650 sq.m. (or about 28,524.6 sq.ft.). The property is leased to the Group for a term commencing on 1 March 2010 and expiring on 28 February 2012.	The property is occupied by the Group for office, industrial, storage, dormitory and ancillary uses.	No Commercial Value

Notes: -

1. Pursuant to 2 Shenzhen City Building Tenancy Contracts (房屋租賃合同) (the "Contracts") entered into between Shenzhen City Shapuwei Cooperation Company (深圳市松崗沙浦圍股份合作公司) ("Shapuwei"), an independent third party, and Shenzhen Honglin Communication Technology Co., Ltd. (深圳市泓淋通訊科技有限公司) ("Shenzhen Communication Technology") both dated 16 March 2010, the property is leased to Shenzhen Communication Technology for a term commencing on 1 March 2010 and expiring on 28 February 2012 at a monthly rent of RMB22,525 exclusive of management fees and water and electricity charges.

2. The opinion of the PRC legal advisor to the Company contains, inter-alia, the following:

   a. Relevant State-owned Land Use Rights Certificate and Building Ownership Certificate of the property have not been obtained by Shapuwei;

   b. The Contracts might be identified to be invalid by the relevant authorized judiciary of the PRC; and

   c. The Contracts have been registered in the Shenzhen City Baoan District Building Tenancy Administration Office (深圳市寶安區房屋租賃管理辦公室).

3. As advised by the Company, Shenzhen Communication Technology is an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group V — Properties rented by the Group in Taiwan

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
13.	Level 4 and Car Parking Space Nos. 72-75 and 83-87 on Level B2, Nos. 143, 145, and 147 Xinhu 1st Road, Neihu District, Taipei, Taiwan 臺灣 臺北市內湖區 新湖一路143,145及147號4樓及B2層72至75及83-87號車位	The property comprises the whole of Level 4 (the "office portion") and 9 car parking spaces on Level B2 of a 7-storey industrial building (plus a 2-storey basement) completed in about 2009. The gross floor area ("GFA") of the office portion is approximately 831.81 sq.m. (or about 8,953.55 sq.ft.). The property is leased to the Group for a term commencing on 5 August 2010 and expiring on 4 November 2013.	The property is vacant.	No Commercial Value

Notes: -

1. Pursuant to a tenancy agreement entered into between an independent third party and Honglin Technology Limited (泓淋科技有限公司) ("Taiwan Honglin"), the property is leased to Taiwan Honglin for a term commencing on 5 August 2010 and expiring on 4 November 2013 at a monthly rent of NT$236,377 inclusive of tax and exclusive of management fee and electricity charge.

2. As advised by the Company, Taiwan Honglin is a wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market Value in existing state as at 31 August 2010
				RMB
14.	Level 1 and Car Parking Space Nos. 195 and 196 on Level B1, No. 147 Xinhu 1st Road, Neihu District, Taipei, Taiwan 臺灣 臺北市內湖區 新湖一路147號1樓及 B1層195及196號車位	The property comprises a portion of Level 1 (the "office portion") and 2 car parking spaces on Level B1 of a 7-storey industrial building (plus a 2-storey basement) completed in about 2009. The gross floor area ("GFA") of the office portion is approximately 312.27 sq.m. (or about 3,361.27 sq.ft.). The property is leased to the Group for a term commencing on 1 September 2010 and expiring on 30 November 2013.	The property is vacant.	No Commercial Value

Notes: -

1. Pursuant to a tenancy agreement entered into between an independent third party and Honglin Technology Limited (泓淋科技有限公司) ("Taiwan Honglin"), the property is leased to Taiwan Honglin for a term commencing on 1 September 2010 and expiring on 30 November 2013 at a monthly rent of NT$118,352 inclusive of tax and exclusive of management fee and electricity charge.

2. As advised by the Company, Taiwan Honglin is a wholly-owned subsidiary of the Company.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 16 November 2007 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Memorandum of Association (the "Memorandum") and the Articles of Association (the "Articles") comprise its constitution.

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the Shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 25 October 2010. The following is a summary of certain provisions of the Articles:

(a) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board may determine). Subject to the Companies Law, the rules of any Designated Stock Exchange (as defined in the Articles) and the Memorandum and Articles, any share may be issued on terms that, at the option of the Company or the holder thereof, they are liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of any Designated Stock Exchange (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors.

(v) Disclosure of interests in contracts with the Company or any of its subsidiaries.

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and, subject to the Articles, upon such terms as the board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. Subject as otherwise provided by the Articles, the board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

Subject to the Companies Law and the Articles, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realized by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder or in which the Director and any of his associates are not in aggregate beneficially interested in 5 percent. or more of the issued shares or of the voting rights of any class of shares of such company (or of any third company through which his interest or that of any of his associates is derived); or

(ff) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(vi) Remuneration

The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors shall also be entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Retirement, appointment and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) will retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last re election or appointment but as between persons who became or were last re elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot. There are no provisions relating to retirement of Directors upon reaching any age limit.

The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election. Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office of the Company for the time being or tendered at a meeting of the Board;

(bb) becomes of unsound mind or dies;

(cc) if, without special leave, he is absent from meetings of the board (unless an alternate director appointed by him attends) for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may from time to time appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(viii) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

Note: These provisions, in common with the Articles in general, can be varied with the sanction of a special resolution of the Company.

(ix) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(x) Register of Directors and Officers

The Companies Law and the Articles provide that the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(b) Alterations to constitutional documents

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(c) Alteration of capital

The Company may from time to time by ordinary resolution in accordance with the relevant provisions of the Companies Law:

(i) increase its capital by such sum, to be divided into shares of such amounts as the resolution shall prescribe;

(ii) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may subject to the provisions of the Companies Law reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy whatever the number of shares held by them shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

(e) Special resolution majority required

Pursuant to the Articles, a special resolution of the Company must be passed by a majority of not less than three fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice of not less than twenty-one (21) clear days and not less than ten (10) clear Business Days specifying the intention to propose the resolution as a special resolution, has been duly given. Provided that if permitted by the Designated Stock Exchange (as defined in the Articles), except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than ninety-five per cent. (95%) in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all Members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which notice of less than twenty-one (21) clear days and less than ten (10) clear Business Days has been given.

A copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles.

(f) Voting rights

Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with the Articles, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be deemed to have been duly authorized without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)).

Where the Company has any knowledge that any shareholder is, under the rules of the Designated Stock Exchange (as defined in the Articles), required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(g) Requirements for annual general meetings

An annual general meeting of the Company must be held in each year, other than the year of adoption of the Articles (within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of any Designated Stock Exchange (as defined in the Articles)) at such time and place as may be determined by the board.

(h) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records shall be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorized by the board or the Company in general meeting.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions the Articles; however, subject to compliance with all applicable laws, including the rules of the Designated Stock Exchange (as defined in the Articles), the Company may send to such persons summarized financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarized financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

Auditors shall be appointed and the terms and tenure of such appointment and their duties at all times regulated in accordance with the provisions of the Articles. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor shall be submitted to the members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the auditor should disclose this fact and name such country or jurisdiction.

(i) Notices of meetings and business to be conducted thereat

An annual general meeting shall be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear Business Days and any extraordinary general meeting at which it is proposed to pass a special resolution shall (save as set out in sub paragraph (e) above) be called by notice of at least twenty-one (21) clear days and not less than ten (10) clear Business Days. All other extraordinary general meetings shall be called by notice of at least fourteen (14) clear days and not less than ten (10) clear Business Days. The notice must specify the time and place of the meeting and, in the case of special business, the general nature of that business. In addition notice of every general meeting shall be given to all members of the Company other than such as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above if permitted by the rules of the Designated Stock Exchange, it shall be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than ninety-five per cent (95%) in nominal value of the issued shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers;

(ee) the fixing of the remuneration of the directors and of the auditors;

(ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and

(gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

(j) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange (as defined in the Articles) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit, in its discretion, to do so and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof. The board may also resolve either generally or in any particular case, upon request by either the transferor or the transferee, to accept mechanically executed transfers.

The board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor may shares on any branch register be transferred to the principal register or any other branch register. All transfers and other documents of title shall be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the registered office in the Cayman Islands or such other place at which the principal register is kept in accordance with the Companies Law.

The board may, in its absolute discretion, and without assigning any reason, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The board may decline to recognize any instrument of transfer unless a fee of such maximum sum as any Designated Stock Exchange (as defined in the Articles) may determine to be payable or such lesser sum as the Directors may from time to time require is paid to the Company in respect thereof, the instrument of transfer, if applicable, is properly stamped, is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a relevant newspaper and, where applicable, any other newspapers in accordance with the requirements of any Designated Stock Exchange (as defined in the Articles), at such times and for such periods as the board may determine and either generally or in respect of any class of shares. The register of members shall not be closed for periods exceeding in the whole thirty (30) days in any year.

(k) Power for the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by any Designated Stock Exchange (as defined in the Articles).

(l) Power for any subsidiary of the Company to own shares in the Company and financial assistance to purchase shares of the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

Subject to compliance with the rules and regulations of the Designated Stock Exchange (as defined in the Articles) and any other relevant regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.

(m) Dividends and other methods of distribution

Subject to the Companies Law, the Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit. The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(n) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

(o) Call on shares and forfeiture of shares

Subject to the Articles and to the terms of allotment, the board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(p) Inspection of register of members

Pursuant to the Articles the register and branch register of members shall be open to inspection for at least two (2) hours on every Business Day by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the Registration Office (as defined in the Articles), unless the register is closed in accordance with the Articles.

(q) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

Save as otherwise provided by the Articles the quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one third in nominal value of the issued shares of that class.

A corporation being a member shall be deemed for the purpose of the Articles to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

(r) Rights of the minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman law, as summarized in paragraph 3(f) of this Appendix.

(s) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed pari passu amongst such members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(t) Untraceable members

Pursuant to the Articles, the Company may sell any of the shares of a member who is untraceable if (i) all cheques or warrants in respect of dividends of the shares in question (being not less than three in total number) for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (ii) upon the expiry of the 12 year period, the Company has not during that time received any indication of the existence of the member; and (iii) the Company has caused an advertisement to be published in accordance with the rules of the Designated Stock Exchange (as defined in the Articles) giving notice of its intention to sell such shares and a period of three (3) months, or such shorter period as may be permitted by the Designated Stock Exchange (as defined in the Articles), has elapsed since the date of such advertisement and the Designated Stock Exchange (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(u) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the

Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

The Articles includes certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries, its holding company or any subsidiary of such holding company in order that they may buy Shares in the Company or shares in any subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of Shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

Subject to the provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares unless the manner of purchase has first been authorized by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there is no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 2(m) above for further details).

(f) Protection of minorities

The Cayman Islands courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorizing civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Management

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company shall cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 8 June 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

Members of the Company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(n) Winding up

A company may be wound up compulsorily by order of the Court voluntarily; or, under supervision of the Court. The Court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the Court, just and equitable to do so.

A company may be wound up voluntarily when the members so resolve in general meeting by special resolution, or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved, or, the company does not commence business for a year from its incorporation (or suspends its business for a year), or, the company is unable to pay its debts. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court, there may be appointed one or more than one person to be called an official liquidator or official liquidators; and the Court may appoint to such office such qualified person or persons, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court shall declare whether any act hereby required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court. A person shall be qualified to accept an appointment as an official liquidator if he is duly qualified in terms of the Insolvency Practitioners Regulations. A foreign practitioner may be appointed to act jointly with a qualified insolvency practitioner.

In the case of a members' voluntary winding up of a company, the company in general meeting must appoint one or more liquidators for the purpose of winding up the affairs of the company and distributing its assets. A declaration of solvency must be signed by all the directors of a company being voluntarily wound up within twenty-eight (28) days of the commencement of the liquidation, failing which, its liquidator must apply to Court for an order that the liquidation continue under the supervision of the Court.

Upon the appointment of a liquidator, the responsibility for the company's affairs rests entirely in his hands and no future executive action may be carried out without his approval. A liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories), settle the list of creditors and, subject to the rights of preferred and secured creditors and to any subordination agreements or rights of set-off or netting of claims, discharge the company's liability to them (pari passu if insufficient assets exist to discharge the liabilities in full) and to settle the list of contributories (shareholders) and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

As soon as the affairs of the company are fully wound up, the liquidator must make up an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. At least twenty-one (21) days before the final meeting, the liquidator shall send a notice specifying the time, place and object of the meeting to each contributory in any manner authorized by the company's articles of association and published in the Gazette in the Cayman Islands.

(o) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(p) Compulsory acquisition

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(q) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarizing certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

I. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation of our Company

We were incorporated in the Cayman Islands under the Cayman Islands Companies Law as an exempted company with limited liability on 16 November 2007. Our principal place of business in Hong Kong is at Suites 06-12, 33/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong and we have registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance under the same address. Ms. Ho Wing Yan has been appointed as our agent for the acceptance of service of process and notices in Hong Kong. The address for service of process to our Company is Suites 06-12, 33/F Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong. As we are incorporated in the Cayman Islands, our corporate structure, our memorandum of association and Articles of Association are subject to the relevant laws of the Cayman Islands. A summary of the relevant provisions of our memorandum of association and Articles of Association and certain relevant aspects of the Cayman Islands Companies Law are set out in Appendix V to this document.

2. Changes in the share capital of our Company

The following sets out the changes in our share capital within the two years preceding the date of this document:

(a) As of the date of incorporation of the Company on 16 November 2007, its authorized share capital was US$50,000,000 divided into 500,000,000 shares of par value of US$0.10 each. One such share was issued nil-paid to Offshore Incorporations (Cayman) Limited and was subsequently transferred to Hongxin Joint Stock on 16 November 2007 in consideration of US$ 0.1 directly paid to the Company;

(b) On 16 November 2007, 80 and 19 shares of US$0.10 each were issued and allotted, credited as fully paid, to Chenlin International and Hongxin Joint Stock respectively in consideration of US$8.0 and US$1.9;

(c) On 15 September 2008, 52,500,000 additional shares of US$0.10 each were issued and allotted to Chenlin International for the settlement of the acquisition of the entire interest in Weihai Electronic;

(d) On 17 September 2008, 3,500,000 additional shares of US$0.10 each were issued and allotted, credited as fully paid, to Chenlin International in consideration of US$0.7 million;

(e) On 19 September 2008, 28,510,323 additional shares of US$0.10 each were issued and allotted, credited as fully paid, to Chenlin International for the settlement of the acquisition of 21.1% interest in Weihai Cable, 25% interest in Wuhan Electronic, 25% interest in Dezhou Electronic, 25% interest in Changshu Electronic, 15% interest in Changshu Cable, 34.7% interest in Changshu Connecting-Technology and 25% interest in Dongguan Electronic;

(f) On 8 November 2008, 4,807,067 additional shares of US$0.10 each were issued and allotted, credited as fully paid, to SCGC Capital in consideration of US$5.0 million;

(g) On 8 June 2010, 2,857,422 additional shares of US$0.10 each were issued and allotted to Samford in consideration of US$5 million; and

(h) Pursuant to the written resolution of our Shareholders passed on 25 October 2010 and referred to in the paragraph headed "Resolutions of our Shareholders" below, (i) the then issued and unissued shares of US$0.1 of the Company was subdivided into five Shares of US$0.02 each; and (ii) a total of 79,125,440 Shares of US$0.02 each were subsequently allotted, issued and credited as fully paid at par to the then Shareholders in proportion as nearly as possible to their then respective shareholdings without fraction by way of capitalization of the sum of US$1,582,508.8 standing to the credit of the share premium account of our Company.

After the Subdivision and [●] mentioned herein and assuming that [●] become unconditional and the Offer Shares are issued but taking no account of any Shares which may be issued upon the exercise of [●] or any options that may be granted under the Share Option Scheme, our issued share capital upon completion of [●] will be US$14,940,000 divided into 747,000,000 Shares of US$0.02 each fully paid or credited as fully paid.

Save as disclosed in this Appendix, there has been no alteration in our share capital within the two years preceding the date of this document.

4. Changes in the share capital of our subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report set forth in Appendix I.

The following sets out the alteration in the share capital of the subsidiaries of our Company within the two years preceding the date of this document:

(a) On 25 June 2009, the registered capital of Weihai Electronic was increased from US$15.5 million to US$20.0 million, and the registered capital was fully paid up.

(b) On 4 March 2009, the registered capital of Weihai Cable was increased from US$5.0 million to US$8.0 million, and the registered capital was fully paid up.

(c) On 15 September 2009, the registered capital of Changshu Electronic was increased from US$2.0 million to US$5.0 million, and the registered capital was fully paid up.

(d) On 19 June 2009, the registered capital of Changshu Cable was increased from US$3.5 million to US$6.5 million, and the outstanding registered capital in the sum of US$2.4 million has not been paid up.

(e) On 22 June 2009, the registered capital of Changshu Connecting-Technology was increased from US$6.5 million to US$8.5 million. On 18 October 2010, the registered capital of Changshu Connecting-Technology was further increased from US$8.5 million to US$12.5 million, and the outstanding registered capital in the sum of US$4.8 million has not been paid up.

(f) On 18 April 2009, Changshu Huarui was established in the PRC by Changshu Connecting-Technology and Mr. Cheng Guanghua as a limited liability company with a registered capital of RMB20 million, and the registered capital was fully paid up. No alteration in the share capital has occurred since Changshu Huarui’s establishment.

(g) On 5 November 2009, Shenzhen Communication Technology was established in the PRC by Changshu Cable and Ms. Yang Huahua as a limited liability company with a registered capital of RMB6 million, and the registered capital was fully paid up. No alteration in the share capital has occurred since Shenzhen Communication Technology’s establishment.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years preceding the date of this document.

5. Reorganization

The members of our Group underwent the Reorganization to rationalize the business and the structure of our Group in anticipation of [●]. See “History, Reorganization and Group Structure — Reorganization” for details.

6. Repurchase of our own securities

This section includes information required by the Stock Exchange to be included in this document concerning the repurchase of [●] securities.

6.1 Relevant Rules

The relevant rules permit companies with [●] on the Stock Exchange to [●] their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders’ approval

All proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

(ii) Source of funds

Repurchases must only be funded out of funds legally available for the purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Trading restrictions

The total number of shares which a company is authorized to repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of our issued share capital of the company as of the date of the ordinary resolution authorizing such repurchase. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange, no matter whether the issue is on the Stock Exchange or not. In addition, all repurchases of securities on the Stock Exchange in any calendar month are limited to a maximum of 25% of the trading volume of such securities on the Stock Exchange in the immediately preceding calendar month. The relevant rules also prohibit a company from repurchasing its securities on the Stock Exchange if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage for that company required by the Stock Exchange. A company must procure that any broker appointed by it to effect the repurchase of securities discloses to the Stock Exchange such information with respect to the repurchases as the Stock Exchange may request.

(iv) Status of repurchased securities

All repurchased securities (whether on the Stock Exchange or otherwise) are automatically delisted and the relative certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, the repurchased securities are treated as cancelled once the Company repurchases our securities.

(v) Suspension of repurchases

The relevant rules prohibit a company from repurchasing its securities on the Stock Exchange at any time after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information is made publicly available. In particular, a company (other than companies listed under Chapter 21 of the relevant rules) shall not repurchase its securities during the period of one month immediately preceding the earlier of the publication of the annual report or interim report of the company, unless there are special circumstances. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the relevant rules.

(vi) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 9:30 a.m. (Hong Kong time) on the following Business Day. In addition, the Company must disclose in its annual report and accounts details regarding repurchase of securities made during the year, including a monthly breakdown of purchases of shares made during the financial year under review showing the number of shares purchased each month (whether on the Stock Exchange or otherwise) and the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid by the company for such purchases. The directors' report shall contain reference to the purchases made during the year and the directors' reasons for making such purchases.

(vii) Connected Persons

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person, that is, a director, chief executive or substantial shareholder of the company or any of our subsidiaries or their associates and a connected person is prohibited from knowingly selling his securities to the company.

6.2 Information relevant to the repurchase mandate

(i) Our Directors believe that it is in the best interests of our Company and our Shareholders to have a general authority from the Shareholders to enable our Directors to repurchase Shares on the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and/or our earnings per Share and will only be made when our Directors believe that such repurchases will benefit the Company and our Shareholders.

(ii) In repurchasing securities, we may only apply funds legally available for such purchase in accordance with our Articles of Association and the applicable laws of the Cayman Islands.

Under the laws of the Cayman Islands, any repurchases by us may be made out of our profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorized by the Articles and subject to the Cayman Islands Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of our profits or from sums standing to the credit of our share premium account or, if authorized by the Articles and subject to the Cayman Islands Companies Law, out of capital.

(iii) We expect that the carrying out in full of the repurchase of all relevant Shares at any time during the proposed purchase period might have a material adverse impact on the working capital requirements or the gearing position of the Company, comparing to the financial position of the Company as disclosed in this document. However, our Directors do not propose to exercise the repurchase mandate if our Directors believe that the exercise of the repurchase mandate will have a material adverse impact on the working capital requirements or the gearing position of the Company.

(iv) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined under the relevant rules), have any present intention to sell any Shares to the Company or our subsidiaries in the event that the repurchase mandate is approved by the Shareholders.

(v) [●]

(vi) If as a result of a repurchase of securities, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

As a result, a Shareholder or a group of Shareholders acting in concert, depending on the level of such increase, may obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and may be required to comply with the relevant requirements under such provision as a result of the increase in proportionate interest. Save as aforesaid, our Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.

(vii) [●]

(viii) No connected person of the Company has notified the Company that he has a present intention to sell Shares to the Company, or has undertaken not to do so, if the repurchase mandate is exercised.

II. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document, have not been terminated and are or may be material:

(a) the equity transfer agreements dated 11 September 2008 entered into between the Company and Weihai Electronic as transferors, and United Metal and Yu Shun Rong (Shenzhen) as transferees, regarding the Company's disposal of a 25% equity interest in Dongguan Electronic and Weihai Electronic's disposal of a 75% equity interest in Dongguan Electronic, to United Metal and Yu Shun Rong (Shenzhen) respectively, at considerations of US$0.75 million and US$2.25 million respectively;

(b) the Deed of Non-Competition dated 25 October 2010 entered into between the Company, Chenlin International and Mr. Chi in which Chenlin International and Mr. Chi have given certain undertakings to the Company, details of which are set out in the section headed "Relationship with Controlling Shareholder — Non-Competition Undertaking";

(c) a deed of indemnity dated 25 October 2010 entered into between Chenlin International, Mr. Chi and the Company (for ourselves and as trustee for each of our subsidiaries) whereby Chenlin International and Mr. Chi have provided certain indemnities in respect of tax and other matters in favor of the Group; and

(d) [●]

2. Intellectual property rights

(i) Trademarks

As of the Latest Practicable Date, members of the Group had registered the following trademarks:

Trademark	Registered Owner	Class(es)	Place of Registration	Validity Period	Registration Number
泓淋	Weihai Electronic	9	PRC	14 April 2008 – 13 April 2018	4747105
	Weihai Electronic	9	PRC	14 April 2008 – 13 April 2018	4747106
	Weihai Electronic	9	PRC	28 March 2010 – 27 March 2020	6263992
	Weihai Electronic	9	Korea	20 January 2009 – 19 January 2019	40-0776651

As of the Latest Practicable Date, members of the Group had applied for registration of the following trademarks:

Trademark	Trademark Applicant	Class(es)	Place of Registration	Application Date	Application Number
(in a series of 2)	The Company	9, 16 and 35	Hong Kong	30 April 2010	301602198
(in a series of 3)	The Company	9, 16 and 35	Hong Kong	30 April 2010	301602206
泓淋	The Company	9, 16 and 35	Hong Kong	30 April 2010	301602215
	Weihai Electronic	16	PRC	21 May 2010	8307048
	Weihai Electronic	35	PRC	21 May 2010	8307341
	Weihai Electronic	9	PRC	21 May 2010	8307564
	Weihai Electronic	16	PRC	21 May 2010	8307143
	Weihai Electronic	35	PRC	21 May 2010	8307313
	Weihai Electronic	16	PRC	21 May 2010	8307623
	Weihai Electronic	35	PRC	21 May 2010	8307651
泓淋	The Company	9	Taiwan	7 May 2010	099021604
泓淋	The Company	16	Taiwan	7 May 2010	099021603
泓淋	The Company	35	Taiwan	7 May 2010	099021602
	The Company	9	Taiwan	7 May 2010	099021601
	The Company	16	Taiwan	7 May 2010	099021600
	The Company	35	Taiwan	7 May 2010	099201596
	The Company	9	Taiwan	7 May 2010	099201594
	The Company	16	Taiwan	7 May 2010	099201592
	The Company	35	Taiwan	7 May 2010	099201589

(ii) Patents

As of the Latest Practicable Date, members of the Group had been granted the following patents:

Patent	Patent Owner	Patent Type	Place of Registration	Validity Period	Patent Number
The Bolt For Data Connecting Line 數據連接線專用連接螺栓	Weihai Electronic	Utility Model	PRC	8 July 2008 – 7 July 2018	ZL200820025545.8
The Connecting Line With Internal Core 內置磁芯連接線	Weihai Electronic	Utility Model	PRC	27 May 2008 – 26 May 2018	ZL200820023367.5
The Computer Signal Connecting Line Interface 計算機信號連接線接口	Weihai Electronic	Utility Model	PRC	1 August 2008 – 31 July 2018	ZL200820026562.3
Data Connecting Line 數據連接線	Weihai Electronic	Utility Model	PRC	27 May 2008 – 26 May 2018	ZL200820023368.X
The Power Supply Signal Wire 可提供電源的信號線	Weihai Electronic	Utility Model	PRC	27 May 2008 – 26 May 2018	ZL200820023369.4
Computer Comprehensive Connecting Line 電腦綜合連接線	Weihai Electronic	Utility Model	PRC	25 April 2005 – 24 April 2015	ZL200520082772.0
The Front Port of Computer Data Line 電腦數據線前接口	Weihai Electronic	Utility Model	PRC	1 August 2008 – 31 July 2018	ZL200820026563.8
The Computer Combination Hub With Power Switch 帶電源開關的計算機組台接插座	Weihai Electronic	Utility Model	PRC	28 August 2007 – 27 August 2017	ZL200720027212.4
One-pieces Shield Plug 一體式屏蔽插頭	Weihai Electronic	Utility Model	PRC	21 April 2006 – 20 April 2016	ZL200620083601.4
One Type Connector 一種連接器	Weihai Electronic	Utility Model	PRC	14 November 2002 – 13 November 2012	ZL02255401.7

Patent	Patent Owner	Patent Type	Place of Registration	Validity Period	Patent Number
Data Transmission Line(1) 數據傳輸線(1)	Weihai Electronic	Design	PRC	4 April 2005 – 3 April 2015	ZL200530091255.5
Data Transmission Line(4) 數據傳輸線(4)	Weihai Electronic	Design	PRC	14 April 2005 – 13 April 2015	ZL200530091423.0
One-Pieces Shield Plug (D-SUB) 一體式屏蔽插頭(D-SUB)	Weihai Electronic	Design	PRC	12 April 2006 – 11 April 2016	ZL200630091485.6
One-Pieces Shield Plug (DVI) 一體式屏蔽插頭(DVI)	Weihai Electronic	Design	PRC	12 April 2006 – 11 April 2016	ZL200630091484.1
Combination Seat (Longilineal) 組合座體長形	Weihai Electronic	Design	PRC	28 August 2007 – 27 August 2017	ZL200730020287.5
Combination Seat (Squareness) 組合座體方形	Weihai Electronic	Design	PRC	28 August 2007 – 27 August 2017	ZL200730020286.0
Combination Shielding Shell (Longilineal) 組合屏蔽殼長形	Weihai Electronic	Design	PRC	28 August 2007 – 27 August 2017	ZL200730020289.4
Combination Shielding Shell (Squareness) 組合屏蔽殼方形	Weihai Electronic	Design	PRC	28 August 2007 – 27 August 2017	ZL200730020288.X
Socket (Computer Data Line Squareness Interface) 插座電腦數據線方形接口	Weihai Electronic	Design	PRC	1 August 2008 – 31 July 2018	ZL200830017851.2
Socket (Computer Data Line Longilineal Interface) 插座電腦數據線長形接口	Weihai Electronic	Design	PRC	1 August 2008 – 31 July 2018	ZL200830017850.8

Patent	Patent Owner	Patent Type	Place of Registration	Validity Period	Patent Number
The Reelable (Flexible Line with Hanger) 一種可饒式軟性排線	Weihai Electronic	Utility Model	PRC	25 December 2008 – 24 December 2018	ZL200820232742.7
Data Connector 數據連接器	Weihai Electronic	Utility Model	PRC	21 September 2009 – 20 September 2019	ZL200920310868.6
One Type High-speed Signal Transmission Wire 一種高速信號傳輸連接線	Weihai Cable	Utility Model	PRC	18 November 2009 – 17 November 2019	ZL200920315055.6
A Line Diameter Out-of-tolerance Detector 一種線徑超差檢測儀	Weihai Cable	Utility Model	PRC	18 November 2009 – 17 November 2019	ZL200920315004.3
One Type Signal Coaxial Cable 一種信號同軸電纜	Weihai Cable	Utility Model	PRC	17 November 2009 – 16 November 2019	ZL200920314948.9
One Type Signal Transmission Wire For Computer 一種計算機用信號傳輸線	Weihai Cable	Utility Model	PRC	11 November 2009 – 10 November 2019	ZL200920314577.4
One Type Data Transmission Cable 一種數據傳輸線纜	Weihai Cable	Utility Model	PRC	17 November 2009 – 16 November 2019	ZL200920314979.4
One Type DVI Digital Signal Transmission Wire 一種DVI數字信號傳輸線	Weihai Cable	Utility Model	PRC	10 October 2009 – 9 October 2019	ZL200920312172.7
One Type Co-extruder Device For Wire & Cable 一種電線電纜共擠裝置	Weihai Cable	Utility Model	PRC	10 October 2009 – 9 October 2019	ZL200920312180.1
High-frequency Signal Transmission Wire 高頻信號傳輸線	Weihai Cable	Utility Model	PRC	19 May 2009 – 18 May 2019	ZL200920025392.1
Automatic Device for Taping Release 包帶自動放帶裝置	Weihai Cable	Utility Model	PRC	19 March 2009 – 18 March 2019	ZL200920023833.4

Patent	Patent Owner	Patent Type	Place of Registration	Validity Period	Patent Number
One Type Wire Connector 一種電線連接器	Weihai Cable	Utility Model	PRC	10 April 2009 – 9 April 2019	ZL200920020773.0
A High Definition Multimedia Interface 一種高清晰多媒體接口	Changshu Connecting — Technology	Utility Model	PRC	26 May 2008 – 25 May 2018	ZL200820009583.4
A Digital Video Interface Terminal Positioning Device 一種數字視頻接口端子的定位裝置	Changshu Connecting — Technology	Utility Model	PRC	26 May 2008 – 25 May 2018	ZL200820009584.9
High-speed Parallel Paired Data Cable 高速平行對稱數據線纜	Changshu Cable	Utility Model	PRC	19 December 2008 – 18 December 2018	ZL200820238288.6
Wire Extruder Sheath Vacuum Equipment 導線擠護套機的真空裝置	Changshu Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL20082039169.8
Cable Storage Shelf For Produce 線纜生產中所用倉儲貨架	Changshu Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039168.3
Automatic Wire Tension Adjustment Device 導線張力自動調整裝置	Changshu Cable	Invention	PRC	25 July 2008 – 24 July 2028	ZL200810021112.X
Take-up Device of Braided Wire 編織線收線機構	Changshu Cable	Invention	PRC	25 July 2008 – 24 July 2028	ZL200810021114.9
Longitudinal Tape Tension Self-Controlling Device 縱包線張力自動控制裝置	Changshu Cable	Invention	PRC	25 July 2008 – 24 July 2028	ZL200810021115.3
Connector 連接器	Changshu Connecting — Technology	Utility Model	Taiwan	11 January 2010 – 2 July 2019	Xin Xing NO. 372558

Patent	Patent Owner	Patent Type	Place of Registration	Validity Period	Patent Number
Dual Connector 兩用連接器	Changshu Connecting —Technology	Utility Model	Taiwan	11 January 2010 – 2 July 2019	Xin Xing NO. 372557
Connector 連接器	Changshu Connecting —Technology	Utility Model	Taiwan	21 January 2010 – 2 July 2019	Xin Xing NO. 373020

As of the Latest Practicable Date, members of the Group had been licensed to use the following patents:

Patent	Patent Licensee*	Patent Type	Place of Registration	Validity Period	Patent Number
Take-up System For Braided Wire 編織線收線機構	Weihai Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039172.X
Wire Detector 導線檢測裝置	Weihai Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039171.5
Automatic Wire Tension Adjustment Device 導線張力自動調整裝置	Weihai Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039170.0
Shielding Cable 電纜遮罩線	Weihai Cable	Utility Model	PRC	19 December 2008 – 18 December 2018	ZL200820238287.1
Automatic Wire Tension Controlling Device For Vertical Envelope 縱包線張力自動控制裝置	Weihai Cable	Utility Model	PRC	25 July 2008 – 24 July 2018	ZL200820039173.4

* The patent owner and licensor of all the patents is another member of the Group, Chengshu Cable.

As of the Latest Practicable Date, members of the Group had applied for the following patents:

Patent	Patent Applicant	Patent Type	Place of Registration	Application Date	Application Number
One-pieces Shield Plug 一體式屏蔽插頭	Weihai Electronic	Invention	PRC	13 April 2007	200710014526.5
The Computer Combination Hub With Power Switch 帶電源開關的計算機組合接插座	Weihai Electronic	Invention	PRC	28 August 2007	200710016987.6
Shielding Computer Combination Hub 屏蔽式計算機組合接插座	Weihai Electronic	Invention	PRC	28 August 2007	200710016990.8
The Power Supply Signal Wire (Invention) 可提供電源的信號線 (發明)	Weihai Electronic	Invention	PRC	27 May 2008	200810016523.X

Patent	Patent Applicant	Patent Type	Place of Registration	Application Date	Application Number
The Connection Line With Internal Core 內置磁芯連接線	Weihai Electronic	Invention	PRC	27 May 2008	200810016521.0
Data Connecting Line 數據連接線	Weihai Electronic	Invention	PRC	27 May 2008	200810016522.5
The Bolt for Computer Data Line 電腦數據線連接螺栓（發明）	Weihai Electronic	Invention	PRC	8 July 2008	200810138271.8
A Data Signal Transmission 一種數字信號傳輸器	Weihai Electronic	Invention	PRC	21 September 2009	200910307348.4
One Type Reelable Flexible Line (Invention) 一種可繞式軟性排線 發明	Weihai Electronic	Invention	PRC	25 December 2008	200810238761.5
The Reelable Flexible Line with Hanger 帶掛鈎的可繞式軟性排線	Weihai Electronic	Invention	PRC	25 December 2008	200810238762.X
The Reelable Flexible Line with Hanger 帶掛鈎的可繞式軟性排線	Weihai Electronic	Utility Model	PRC	25 December 2008	200820232743.1
One Type DiiVA Digital Signal Transmission Wire 一種DiiVA數字信號傳輸線	Weihai Cable	Invention	PRC	18 November 2009	200910309910.7
One Type Digital Signal Transmission Wire 一種數字信號傳輸線	Weihai Cable	Utility Model	PRC	17 November 2009	200920314947.4
One Type E-SATA Data Transmission Cable 一種E-SATA數據傳輸電纜	Weihai Cable	Invention	PRC	18 November 2009	200910309895.6
A Production Equipment For Wire & Cable 一種電線電纜生產設備	Weihai Cable	Invention	PRC	11 November 2009	200910309573.1
High-frequency Signal Transmission Wire and Preparation Method 高頻信號傳輸線及其製備方法	Weihai Cable	Invention	PRC	19 May 2009	200910015602.3
One Type Data Signal Connector For Electrical Equipment 一種電器數據信號連接線	Weihai Cable	Invention	PRC	18 November 2009	200910309894.1
One Type Data Signal Connector For Electrical Equipment 一種電器數據信號連接線	Weihai Cable	Invention	PRC	18 November 2009	200910309896.0
A Satellite signal Coaxial Cable 一種衛星信號同軸電纜	Weihai Cable	Invention	PRC	18 November 2009	200910309911.1

Patent	Patent Applicant	Patent Type	Place of Registration	Application Date	Application Number
A Wire Diameter Tolerance Detector 一種導線直徑超差檢測裝置	Weihai Cable	Invention	PRC	18 November 2009	200910309914.5
One Type DVI Signal Transmission Wire 一種DVI信號傳輸線	Weihai Cable	Utility Model	PRC	11 November 2009	200920314575.5
A Digital Insert Transmission Wire For High-end Display Device 一種高端顯示設備用數字接入傳輸線	Weihai Cable	Invention	PRC	11 November 2009	200910309572.7
One Type Signal Transmission Wire For Display 一種顯示器用信號傳輸線	Weihai Cable	Invention	PRC	11 November 2009	200910309550.0
One Type High-frequency Signal Transmission Wire 一種高頻信號傳輸線	Weihai Cable	Invention	PRC	15 April 2009	200910020502.x
One Type Displayport Signal Transmission Wire For Computer 一種計算機用Displayport信號傳輸線	Weihai Cable	Invention	PRC	11 November 2009	200910309551.5
Charger Wire 充電器線	Weihai Cable	Design	PRC	17 November 2009	200930325271.4
Telephone Wire(1) 電話線(1)	Weihai Cable	Design	PRC	17 November 2009	200930315309.8
Telephone Wire(2) 電話線(2)	Weihai Cable	Design	PRC	17 November 2009	200930325272.9
Power Cord(1) 電源線(1)	Weihai Cable	Design	PRC	17 November 2009	200930325305.x
Power Cord(2) 電源線(2)	Weihai Cable	Design	PRC	17 November 2009	200930325273.3
Signal Wire(1) 信號線(1)	Weihai Cable	Design	PRC	17 November 2009	200930325312.x
Signal Wire(2) 信號線(2)	Weihai Cable	Design	PRC	17 November 2009	200930325374.8
One Type RGB Signal Transmission Wire 一種RGB信號傳輸線	Weihai Cable	Utility Model	PRC	10 October 2009	200920312181.6
High-speed Parallel Paired Data Cable 高速平行對稱數據線纜	Changshu Cable	Invention	PRC	19 December 2008	200810243261.0
Shielding Cable 電纜屏蔽線	Changshu Cable	Invention	PRC	19 December 2008	200810243260.6

Patent	Patent Applicant	Patent Type	Place of Registration	Application Date	Application Number
Cable Storage Shelf for Produce 線纜生產中所用倉儲貨架	Changshu Cable	Invention	PRC	25 July 2008	200810021110.0
Wire Extruder Shealth Vacuum Equipment 導線擠護套機的真空裝置	Changshu Cable	Invention	PRC	25 July 2008	200810021111.5
Wire Detector 導線檢測裝置	Changshu Cable	Invention	PRC	25 July 2008	200810021113.4
Data Transmission Cable 數據傳輸電纜	Changshu Cable	Invention	PRC	24 May 2010	201020203790.0
Data Transmission Cable 數據傳輸電纜	Changshu Cable	Utility Model	PRC	24 May 2010	201010183025.1
Low-frequency Coaxial Cable 低頻用的同軸電纜	Changshu Cable	Invention	PRC	13 June 2010	201010203501.1
Low-frequency Coaxial Cable 低頻用的同軸電纜	Changshu Cable	Utility Model	PRC	13 June 2010	201020229594.0
Dual Connector 兩用連接器	Changshu Connecting — Technology	Utility Model	PRC	24 September 2009	200920178153.x
A USB3.0 Plug Connector 一種USB3.0公口電子連接器	Changshu Connecting — Technology	Utility Model	PRC	5 November 2009	200920268552.5
Dual Connector 兩用連接器	Changshu Connecting — Technology	Utility Model	Taiwan	19 September 2009	098216628

(iii) Domain names

As of the Latest Practicable Date, members of our Group had full legal rights over and had registered the following domain names:

Domain Name	Registrant	Validity Period
www.honglincable.com	Changshu Cable, Weihai Cable	31 March 2015
www.hong-lin.com.cn	Wuhan Electronic, Dezhou Electronic, Changshu Electronic, Weihai Electronic, Changshu Connecting — Technology, Changshu Huarui	31 August 2010
www.honglintech.com	Shenzhen Communication Technology	30 September 2010
www.hltechgroup.com	the Company	25 January 2013
www.hong-linhr.com	Changshu Huarui	2 June 2012

Save as aforesaid, there are no other trademarks, patents, other intellectual or industrial property rights which are material in relation to the Group's business.

III. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

Save as disclosed in this document, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

1. Particulars of the Directors' service contracts

(a) Executive Directors

Each of the executive Directors has entered into a service contract with our Company, pursuant to which each of them accepts that, for a specific term of three years from the [●], their respective appointment as an executive Director shall be governed by the terms and conditions set out therein. The contract may be terminated by, among others, serving not less than three months' prior notice in writing by either party on the other, and upon such termination, the executive Director shall, upon the Company's request, resign immediately from such offices held by him in the Company or any other member of the Group. The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under Appendix 14 of the relevant rules.

Each of the executive Directors is entitled to a fixed director's fee on top of their respective basic salaries entitled under their labour contracts.

(b) Non-executive Directors and independent non-executive Directors

Each of the non-executive Directors and independent non-executive Directors has signed a service contract with our Company, pursuant to which each of them accepts that, their respective appointment as a non-executive Director for a term of three years from the [●] or an independent non-executive Director for a term of three years from the date of appointment, that (as the case may be) shall be governed by the terms and conditions set out therein. The service contract may be terminated by, among others, giving three months' prior notice in writing by either party to the other, and upon such termination, the non-executive Director or independent non-executive Director (as the case may be) shall, upon the Company's request, resign immediately from such offices held by him in the Company or any other member of the Group. Under their respective service contracts, each of the non-executive Directors (except Ms. Xu Yiming who is entitled to a fixed director's fee) are not entitled to any director's fee, and each of the independent non-executive Directors is entitled to a fixed director's fee. The appointments are subject to the provisions of retirement and rotation of Directors under Appendix 14 of the relevant rules.

2. Directors' Emoluments

For details of the Directors' emoluments in respect of the last three fiscal years and the current fiscal year, please see "Directors, Senior Management and Staff — Compensation of Directors and Senior Management."

3. Disclosure of interests in the share capital of our Company

(a) Interests and/or short positions of the Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations following [●]

So far as our Directors are aware, immediately following completion of [●], the Subdivision and [●] (assuming [●] and options that may be granted pursuant to the Share Option Scheme are not exercised and not taking into account of the [●] arrangements set out under the paragraph headed [●]), the interests and short positions of the Directors and our chief executive in the Shares, underlying Shares or debentures of our Company and our associated corporations (within the meaning of Part XV of SFO), which, once the Shares are listed, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have such provisions of SFO) or which will be required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, or which will be required pursuant to section 352 of the SFO to be entered in the register of interests referred to therein, will be as follows:

Long position in the Shares

Name of Directors	Type of interest	Total number of Shares	Approximate percentage of Shareholding
Chi Shaolin	[●]	[●]	[●]
Jiang Taike	[●]	[●]	[●]
Li Jianming	[●]	[●]	[●]
Sui Shikai	[●]	[●]	[●]
Mao Wanjun	[●]	[●]	[●]
Xu Yiming	[●]	[●]	[●]

Note: Mr. Chi owns the entire issue share capital of Chenlin International, which is the beneficial owner of [●] Shares, representing approximately [●]% of the issued share capital of our Company upon completion of [●] and [●], but without taking into account the Shares that may be issued pursuant to the exercise of [●] and options which may be granted under the Share Option Scheme.

(b) Interests and/or short positions of the Substantial Shareholders in the Shares and underlying Shares which are discloseable under Divisions 2 and 3 of Part XV of the SFO

Save as disclosed in the section headed "Substantial Shareholders," our Directors are not aware of any person (not being a Director) who will, immediately following the completion of [●] and [●], but without taking into account the Shares that may be issued pursuant to the exercise of [●] or options which may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be (directly or indirectly) interested in 10% or more of the nominal value of any class of the share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

4. Disclaimers

Save as disclosed in this document:

(i) none of our Directors or our chief executive has any interest or short position in the Shares, underlying Shares or any associated corporation (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he has taken or is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, will be required to be notified to the Company and the Stock Exchange once the Shares are listed thereon;

(ii) so far as is known to any of our Directors or our chief executive, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at our general meetings;

(iii) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to our business;

(iv) none of our Directors or any of the persons referred to in the paragraph headed "Qualifications of experts" of this Appendix is interested in the promotion of the Company, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to us, or are proposed to be so acquired, disposed of or leased; and

(v) none of the persons referred to in the paragraph headed "Qualifications of experts" of this Appendix has any shareholding in our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Employee Shares

On 8 October 2008, a total of 6,280,000 Employee Shares of US$0.10 each (36,790,922 shares immediately after the subdivision and the [●]) were transferred to a total of 137 employees of our Group (including Mr. Li Jianming, Mr. Mao Wanjun and Mr. Sui Shikai, all of whom are Directors of the Company) in recognition of their contributions to the growth of our Group at a consideration of RMB6.4 each, of which RMB2.4 was settled by each of the Employee Shareholders with their own funds and RMB4.0 was paid for by Weihai Electronic and Weihai Cable, respectively, as bonus and subsidy to those employees. Due to transfer from one employee resigned of his entitlement of the Employee Shares to another employee designated by the Board, namely Mr. Li Jianming, on 13 June 2010, there were a total of 136 Employee Shareholders under the Employee Share Scheme as of the Latest Practicable Date.

The Employee Shares are held by Hongxin Joint Stock in trust for each of the Employee Shareholders since 8 October 2008.

The Employee Shares are subject to the following restrictions:

(i) Prior to [●],

- If the Employee Shareholders commit certain prohibited activities as defined in the Employee Trust Deed (the "Prohibited Activities") during the terms of their first employment contracts signed after 1 January 2007 (the "2007 Contracts") or early terminate the 2007 Contracts without the consent of their employer companies, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to transfer the interest in the relevant Employee Shares to such person(s) as designated by such committee or personnel at a consideration of RMB2.4 per share. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders after deducting the cash bonuses they have previously received, any amounts they owe the Company or their employer companies, any compensation they are deemed to be liable for by the Company, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes);

- If the 2007 Contracts terminated with the consent of the Employee Shareholders' employer companies or the 2007 Contracts expire without renewal, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to transfer the interest in the relevant Employee Shares to such person(s) as designated by such committee or personnel at a consideration of RMB2.4 per share. Hongxin shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes);

- If the 2007 Contracts are early terminated due to retirement, disabilities or death of the Employee Shareholders, the Board or its designated Employee Shares administration committee or personnel can instruct Hongxin Joint Stock to transfer the interest in the relevant Employee Shares to such person(s) as designated by such committee or personnel at a consideration of RMB6.4 per share. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders or their lawful inheritors after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes).

(ii) On or after [●], subject to (iii), (iv) and (v) below,

- If the Employee Shareholders commit the Prohibited Activities during the terms of the 2007 Contracts or if there is an early termination of the 2007 Contracts without the consent of their employer companies, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to dispose of the relevant Employee Shares. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer shareholders RMB2.4 per share from which any amounts they owe the Company or their employer companies, any compensation they are deemed by the Company to be liable for, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes) shall be deducted, and pay the remainder to the Company. Moreover, the Employee Shareholders are required to return to the Company the difference between the proceeds from any disposal of the Employee Shares according to (iv) below and RMB2.4 per share within 30 days from the receipt of instructions from the Board or its designated Employee Shares administration committee or personnel;

- If there is an early termination of the 2007 Contracts with consent of the Employee Shareholders' employer companies, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to dispose of the relevant Employee Shares. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer shareholders after deducting any amounts they owe the Company or their employer companies, any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes), and an amount to be given to the Company (the "Gift Amount") which shall be determined pursuant to the following formula.

  Gift Amount = Proceeds from disposal of relevant Employee Shares x (Unfulfilled 2007 Contract term/2007 Contract term);

- If the 2007 Contracts expire without renewal, or the 2007 Contracts are early terminated due to retirement, disabilities or death of the Employee Shareholders, the Board or its designated Employee Shares administration committee or personnel may instruct Hongxin Joint Stock to dispose of the relevant Employee Shares. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders or their lawful inheritors after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes).

(iii) Unless otherwise provided in the Employee Trust Deed, the Employee Shares are not to be sold, exchanged, mortgaged, guaranteed, subjected to any liens or used to repay debts (the "Employee Shares Disposal") and no agreements are to be entered into in connection with the Employee Shares Disposal within one year from [●] without the consent of the Board of directors or its designated Employee Shares administration committee or personnel.

(iv) After the first anniversary of [●],

- After the expiry of the 2007 Contracts, Hongxin Joint Stock shall dispose of the relevant Employee Shares or transfer the relevant Employee Shares to such person(s) as designated by the relevant Employee Shareholders upon receipt of written instructions from the relevant Employee Shareholders. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes);

- prior to the expiry of the 2007 contracts, Hongxin Joint Stock shall dispose of the relevant Employee Shares up to a maximum of 30% of the relevant Employee Shareholders' holdings upon receipt of written instructions from the relevant Employee Shareholders; Hongxin Joint Stock shall dispose of the portion in excess of 30% of the relevant Employee Shares or transfer such portion to such person(s) as designated by the relevant Employee Shareholders upon receipt of written instructions from the relevant Employee Shareholders and approval from the Board or its designated Employee Shares administration committee or personnel. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer Shareholders after deducting any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes);

- Unless otherwise approved by the Board of directors or its designated Employee Shares administration committee or personnel, Employee Shareholders who hold the position of deputy manager or above are allowed to dispose of up to 25% of their Employee Shareholders' holdings every year during the term of their employment. Such Employee Shareholders are not allowed to dispose of their Employee Shares within six months from the date of termination of their employment, regardless of whether they have signed any non-competition agreement with the relevant employer companies.

(v) Non-competition

If the 2007 Contracts expire without renewal, and the relevant employer companies decide at their absolute discretion that the relevant Employee Shareholders do not need to sign any non-competition agreement, Hongxin Joint Stock shall act in accordance with (ii) above. If, however, the relevant employer companies decide at their absolute discretion that the relevant Employee Shareholders need to sign a two-year non-competition agreement, upon signing the non-competition agreement and payment of a one-off non-competition compensation at such minimum amount as permitted by the relevant PRC rules and regulations, the relevant Employee Shareholders are not allowed to dispose of their Employee Shares during the term of the relevant non-competition agreement unless prior approval from the Board or its designated Employee Shares administration committee or personnel has been obtained. If the Employee Shareholders violate the non-competition agreement, Hongxin Joint Stock shall act upon the decision of the Board or its designated Employee Shares administration committee or personnel and dispose of the relevant Employee Shares. Hongxin Joint Stock shall, within 30 days from the receipt of the consideration, pay the relevant Employer shareholders RMB2.4 per share from which any amounts they owe the Company or their employer companies, and any other amounts deemed necessary by Hongxin Joint Stock (including but not limited to levies and taxes) shall be deducted, and pay the remainder to the Company. Moreover, the Employee Shareholders are required to return to the Company or the employer companies the difference between the proceeds from any disposal of the Employee Shares and RMB2.4 per share within 30 days from the receipt of a notice about the violation of the non-competition agreement from the Company or the employer companies.

Hongxin Joint Stock has entrusted Mr. Chi to attend the Company's shareholders' meetings on its behalf and to vote on shareholders' resolutions at his own discretion with respect to the Employee Shares. The Employee Shareholders are not entitled to attend the Company's shareholders' meetings and to vote on shareholders' resolutions unless the relevant Employee Shares have been transferred and registered in the relevant Employee Shareholders' own names.

IV. SHARE OPTION SCHEME

1. Summary of terms

The following is a summary of the principal terms of the Share Option Scheme:

(a) Purpose

The purpose of the Share Option Scheme is to enable the Company to grant options to selected eligible participants as incentives or rewards for their contribution to the Group and/or to enable the Group to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any invested entity.

(b) Who may join

Subject to acceptance in accordance with the terms of the Share Option Scheme, the Board shall be entitled at any time and from time to time within ten (10) years after the adoption date to offer to grant to any eligible participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an option to subscribe for such number of Shares as the Board may determine at the subscription price PROVIDED THAT the granting of an option under this scheme to any grantee which is a company or is a discretionary object of an eligible participant shall be subject to the execution by the grantee or trustee and/or the beneficial owners in favor of the Company of an undertaking not to effect or permit any change in ultimate beneficial ownership of the grantee so long as the option so granted to the grantee or any part thereof remains exercisable. For the avoidance of doubt, the grant of any options by the Company for the subscription of Shares or other securities of the Group to any person who fall within any of the classes of eligible participants shall not, by itself, unless the Board otherwise determined, be construed as a grant of option under this scheme. The basis of eligibility of any of the class of eligible participants to the grant of any option shall be determined by the Board from time to time on the basis of their contribution to the development and growth of the Group and any invested entity

(c) Payment on acceptance of option

An option shall be deemed to have been granted and accepted (with retrospective effect from the offer date) when the duplicate letter comprising acceptance of the option duly signed by the grantee with the number of Shares in respect of which offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable.

(e) Maximum number of Shares subject to the Share Option Scheme

Notwithstanding anything to the contrary herein, the maximum number of shares which may be issued upon exercise of all outstanding options granted under this scheme and any other share option scheme(s) of the Company must not exceed 30 per cent. of the total number of Shares in issue from time to time. No option may be granted under the scheme or any other share option scheme(s) of the Company if this will result in the limit set out in this paragraph being exceeded.

The total number of shares in respect of which options (including both exercised and outstanding options) may be granted under this scheme and any other share option schemes of the Company shall not, subject to paragraph (l), in aggregate exceed 10 per cent. of the total number of Shares in issue on the [●], being 72,000,000 Shares, unless the Company seeks the approval of the Shareholders in general meeting for refreshing the 10 per cent. limit under this Scheme PROVIDED THAT options lapsed in accordance with the terms of this scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10 per cent. limit under this paragraph.

The Company may seek approval of the Shareholders in general meeting for refreshing the 10 per cent. limit such that the total number of Shares in respect of which options may be granted under this Scheme and any other share option schemes of the Company as "refreshed" shall not exceed 10 per cent. of the total number of Shares in issue as at the date of the approval of the Shareholders PROVIDED THAT options previously granted under this scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of this Scheme or any other share option scheme of the Company) will not be counted for the purpose of calculating the limit as "refreshed".

For the purpose of seeking the approval of Shareholders under this paragraph, a circular containing the information required under Rule 17.02(2)(d) of the relevant rules and the disclaimer required under Rule 17.02(4) of the relevant rules must be sent to the Shareholders.

Subject to the paragraph below, no eligible participant shall be granted an option if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the options granted to such eligible participant (including both exercised and outstanding options) in any 12-month period exceeding one (1) per cent. of the total number of Shares in issue.

Where any further grant of options to an eligible participant, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding options) in any 12-month period up to and including the date of such further grant exceeding one (1) per cent. of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such eligible participant and his associates abstaining from voting. The Company must send a circular to the Shareholders and the circular must disclose the identity of the eligible participant, the number and terms of the options to be granted and options previously granted to such eligible participant and the information required under Rule 17.02(2)(d) of the relevant rules and the disclaimer required under Rule 17.02(4) of the relevant rules. The number and terms (including the subscription price) of the options to be granted to such eligible participant must be fixed before the Shareholders' approval and the date of the meeting of the Board for proposing such further grant of option should be taken as the date of grant for the purpose of calculating the subscription price.

(f) Exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be notified by the Board to each grantee, which must not be more than 10 years from the date of the grant (subject to acceptance) of the option.

There is no general requirement for any performance target that has to be achieved before the exercise of any option except as otherwise imposed by the Board pursuant to paragraph (b) and stated in the offer of grant of an option.

(g) Rights are personal to Grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any third party over or in relation to any option. Any breach of the foregoing shall entitle the Company to cancel any outstanding option or part thereof granted to such grantee.

(h) Rights on ceasing employment or other engagement

Subject as hereinafter provided in this scheme, the option may be exercised by the grantee (or his or her legal personal representatives) at any time during the option period in accordance with and subject to this paragraph, if the grantee is under employment with the Company and/or any of the Subsidiaries or the invested entities, in the event of the grantee ceasing to be an eligible participant by reason of such grantee's resignation from the employment of the Company or of any of the Subsidiaries or the invested entities or the termination of his or her employment by the Company or the relevant Subsidiary or invested entity or the expiry of his or her employment with the Company or the relevant Subsidiary or invested entity other than the termination of his or her employment on one or more of the grounds specified in paragraph (m)(e), the grantee may exercise the option up to his or her entitlement at such date of cessation (to the extent not already exercised) on or before the date of such cessation, which date shall be the last actual working day on which the grantee was at work with the Company, or the relevant Subsidiary or Invested Entity, on which salary is paid whether in lieu of notice or not, or such longer period as the Board may determine;

(i) Rights on death, ill health, disability or insanity

Subject as hereinafter provided in this scheme, the option may be exercised by the grantee (or his or her legal personal representatives) at any time during the option period in accordance with and subject to this paragraph:

(a) if the grantee is under employment with the Company and/or any of the Subsidiaries or the invested entities, in the event of the grantee ceasing to be an eligible participant by reason of his or her ill-health or retirement, the grantee may, subject to paragraph (m)(a), exercise the option up to his or her entitlement at such date of cessation (to the extent not already exercised) within the period of twelve months following the date of such cessation, which date shall be the last actual working day on which the grantee was at work with the Company, or the relevant Subsidiary or invested entity, on which salary is paid whether in lieu of notice or not, or such longer period as the Board may determine;

(b) if the grantee is under employment with the Company and/or any of the Subsidiaries or the invested entities, in the event of the grantee ceasing to be an eligible participant by reason of his or her death, the legal personal representative(s) of the grantee may, notwithstanding paragraph (m)(a), exercise the option up to the grantee's entitlement at such date of cessation (to the extent not already exercised) within the period of 12 months following the date of his or her death (or such longer period as the Board may determine);

(j) Rights on takeover

In the event of a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, the Company shall use all reasonable endeavors to procure that such offer is extended to all the grantees on the same terms, *mutatis mutandis*, and assuming that they will become, by the exercise in full of the options granted to them, shareholders of the Company. If such offer becomes or is declared unconditional, a grantee shall be entitled to exercise his or her or its option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to the Company in exercise of his or her or its option at any time before the close of such offer (or any revised offer);

(k) Rights on winding up and compromise or arrangement

In the event a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees (together with a notice of the existence of the provisions of this paragraph) and thereupon, each grantee (or where permitted under paragraph (i), his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her or its options (to the extent which has become exercisable and not already exercised) at any time not later than two (2) Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid, which Shares shall rank pari passu with all other Shares in issue on the date prior to the passing of the resolution to wind-up the Company to participate in the distribution of assets of the Company available in liquidation; and

In the event of a compromise or arrangement between the Company and its creditors (or any class of them) or between the Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of the Company, the Company shall give notice thereof to all grantees on the same day as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement, and thereupon any grantee (or where permitted under paragraph (i), his or her legal personal representative(s)) may forthwith and until the expiry of the period commencing with such date and ending with the earlier of the date falling two (2) calendar months thereafter and the date on which such compromise or arrangement is sanctioned by Court be entitled to exercise his or her or its option (to the extent which has become exercisable and not already exercised), but the exercise of the option shall be conditional upon such compromise or arrangement being sanctioned by the Court and becoming effective. The Company may thereafter require such grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her or its option so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(l) Effects of alterations to capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue or other similar offer of securities to holders of Shares, consolidation, subdivision or reduction or similar reorganization of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding alterations (if any) shall be made in:

(a) the number or nominal amount of Shares subject to any option so far as unexercised; and/or

(b) the subscription price; and/or

(c) the method of exercise of the option; and/or

(d) the maximum number of Shares referred to in paragraph (e),

in accordance with the relevant rules, as an independent financial advisor or the Auditors (as the Board may select) shall certify in writing to the Board to be in their opinion appropriate, fair and reasonable, PROVIDED THAT any alteration shall be made on the basis that the proportion of the issued share capital of the Company to which a grantee is entitled after such alteration shall remain the same as that to which he or she or it was entitled before such alteration and that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but so that no such alteration shall be made the effect of which would be to enable any Share to be issued at less than the nominal value of the Shares and no such adjustment will be required in circumstances where there is an issue of Shares or other securities of the Group as consideration in a transaction.

In addition, in respect of any such alteration as provided in this paragraph (l) other than any alteration made on a capitalization issue, the Company's independent financial advisor or the Auditors must confirm in writing to the Directors that the alteration satisfy the requirements of the relevant provision of the relevant rules and the supplementary guidance on the interpretation of the relevant rules issued by the Exchange from time to time.

The capacity of the independent financial advisor or the Auditors in this paragraph (l) is that of experts and not of arbitrators and their certification shall be final and binding on the Company and the grantees.

The costs of the independent financial advisor or the Auditors shall be borne by the Company.

(m) Lapse of options

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(a) the expiry of the option period;

(b) the expiry of any of the periods referred to in paragraphs (h) and (i);

(c) the date on which the offer (or as the case may be, revised offer) referred to in paragraph (j) , which has become or is declared unconditional, closes;

(d) the date of the commencement of the winding-up of the Company referred to in paragraph (k);

(e) if the grantee is under employment with the Company and/or any of the Subsidiaries or invested entities, the date on which the Directors determine that the grantee ceases to be an eligible participant by reason of the termination of his or her employment on any one or more of the grounds that: he or she has been guilty of misconduct or has found to have breached the terms of employment during his or her employment (regardless of whether such employment contract has already been terminated) leading to a material loss or damage to the Group, or his or her employment has terminated by reason of the failure of such employment to pass the annual evaluation, or has become bankrupt or insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offense involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at law or pursuant to any applicable laws or under the grantee's service contract with the Company or the relevant Subsidiary or the relevant invested entity. A resolution of the Board or the board of directors of the relevant Subsidiary or the board of directors of the relevant invested entity to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the grantee;

(f) the date when the proposed compromise or arrangement becomes effective referred to in paragraph (e);

(g) the date on which the grantee commits a breach of paragraph (g) or the options are cancelled in accordance with paragraph (o); or

(h) if the Directors at their absolute discretion determine that the grantee (other than an eligible participant) or his or her or its associate has committed any breach of any contract entered into between the grantee or his or her or its associate on the one part and any member of the Group or any invested entity on the other part or that the grantee has become bankrupt or insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his or her or its creditors generally, the Directors shall determine that the outstanding options granted to the Grantee (whether exercisable or not) shall lapse and in such event, his or her or its options will lapse automatically and will not in any event be exercisable on or after the date on which the Directors have so determined.

(n) Ranking and voting rights of Shares

No dividends will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. The Shares to be issued and allotted upon the exercise of an option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of [●] of the Shares (on exercise of the option) (the "Allotment Date") and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Allotment Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the Allotment Date, PROVIDED ALWAYS that when the Allotment Date falls on a day upon which the register of members of the Company is closed then the allotment upon the exercise of the option shall become effective on the first Business Day on which the register of members of the Company is re-opened. A Share allotted upon the exercise of an option shall not carry any dividend right and voting rights until the completion of the registration of the grantee as the holder thereof.

(o) Cancellation of options

The Company may cancel an option granted but not exercised with the approval of the grantee of such option.

Cancelled options may be re-issued after such cancellation has been approved, PROVIDED THAT re-issued options shall only be granted in compliance with the terms of this scheme.

Where the Company cancels options granted to an eligible participant, the Company may, in place thereof, grant new options to the same eligible participant, provided that there are available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (e).

For the avoidance of doubt, options which have been exercised shall not be regarded as cancelled options.

(p) Alteration to the Share Option Scheme

This scheme may be altered in any respect by a resolution of the Board except that:

(a) any changes to the definitions of "Eligible Participant" and "Grantee" and "Option Period";

(b) any material alteration to the terms and conditions of this scheme;

(c) any change to the terms of options granted (except where the alterations take effect pursuant to the terms of this scheme);

(d) any change to the authority of the Board in relation to any alteration to the terms of this scheme;

(e) any alteration to the provisions of this scheme in relation to the matters set out in Rule 17.03 of the relevant rules to the advantage of the grantee; and

(f) any alteration to the termination provisions of this scheme,

must be approved by an ordinary resolution of the Shareholders in general meeting at which any persons to whom or for whose benefit the Shares may be issued under this Scheme and their respective Associates shall abstain from voting PROVIDED THAT the amended terms of this scheme or the options shall remain in compliance with the requirements of Chapter 17 of the relevant rules and that no such alteration shall operate to adversely affect the terms of issue of any option granted or agreed to be granted prior to such alteration or to reduce the proportion of the equity capital to which any person was entitled pursuant to such option prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under this scheme and provided further that any alterations to the terms and conditions of this scheme which are of a material nature shall first be approved by the Stock Exchange.

The Company must provide to all grantees all details relating to changes in the terms of this scheme during the life of this scheme immediately upon such changes taking effect.

(q) Termination of the Share Option Scheme

The Company, by resolution in general meeting, or the Board may at any time terminate the operation of this scheme and in such event no further option will be offered but the provisions of this scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provision of this scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with this scheme.

(r) Period of the Share Option Scheme

Subject to paragraph (q), this scheme shall be valid and effective for a period of ten (10) years commencing on the date on which the conditions set out in paragraph (s) are satisfied, after which period no further options will be granted but the provisions of this scheme shall remain in full force and effect in all other respects. Options complying with the provisions of the relevant rules which are granted during the duration of this scheme and remain unexercised immediately prior to the end of the ten-year period shall continue to be exercisable in accordance with their terms of grant within the option period for which such options are granted, notwithstanding the expiry of this scheme.

(s) Conditions

This Scheme shall take effect conditional upon:

(a) the passing of an ordinary resolution to approve the scheme by the Shareholders at the Company's extraordinary general meeting and to authorize the Board to grant the options hereunder and to allot, issue and deal with the Shares which fall to be issued by the Company pursuant to the exercise of the options under the scheme; and

(b) the [●] (as defined in the relevant rules) granting approval of the [●] of, and permission to [●], such number of Shares to be issued by the Company pursuant to the exercise of options which may be granted under the scheme.

(t) Restrictions on the timing of grant of option

No offer of grant of option shall be made after a price sensitive development has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in accordance with Rule 2.07C of the relevant rules. In particular, no option may be granted during the period of one month immediately preceding the earlier of:

(a) the date of the Board meeting (as such date is first notified to the Exchange in accordance with Rule 13.43 of the relevant rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the relevant rules); and

(b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or other interim period (whether or not required under the relevant rules) under the relevant rules,

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(u) Grant of options to connected persons

Each grant of options to a Director, chief executive (other than a proposed Director or a proposed chief executive of the Company) or substantial shareholder or any of their respective associates, under this scheme or any other share option scheme of the

Company or any of its subsidiaries shall comply with the requirements of Rule 17.04 of the relevant rules (as amended, modified or supplemented from time to time) and shall be subject to approval by the independent non-executive Directors (excluding independent non-executive Director who is a grantee of the options).

In case of any change in the terms of options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates; or where any grant of options to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of Shares in issue; and

(b) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5,000,000,

such further grant of options must be approved by the Shareholders. The Company shall send a circular to all Shareholders, which must contain all relevant information and comply with all relevant requirements as set out in the relevant rules. All connected persons of the Company must abstain from voting in favor at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his or her intention to do so has been stated in the circular in accordance with Rule 13.40 of the relevant rules. Any vote taken at the meeting to approve the grant of such options must be taken on a poll.

(v) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise period, vesting period and (if appropriate, a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the relevant rules in force from time to time.

V. OTHER INFORMATION

1. Taxation on holders of Shares

(a) Hong Kong

Tax on dividends

No tax is payable in Hong Kong in respect of dividends paid by us.

Profit

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profit tax, which is currently imposed at the rate of 16.5% on corporations and at a maximum rate of 15% on individuals. Gains from sales of shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profit tax would thus arise in respect of trading gains from sales of the Shares realized by persons carrying on a business of trading or [●] in securities in Hong Kong.

Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

If one of the parties to the sale is a non-resident of Hong Kong and does not pay the required stamp duty, the duty not paid will be charged on the instrument of transfer (in addition to the stamp duty otherwise chargeable thereon), and the transferee will be liable for payment of such duty.

Consultation with professional advisor

Potential investors in [●] are recommended to consult their professional advisor if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or [●] in the Shares. None of our Company or party involved in [●] accepts responsibility for any tax effects on or liabilities of any person resulting from the [●] for, [●] of the Shares.

(b) Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of Shares provided that our Company does not own any interests in land in the Cayman Islands.

2. Litigation

As of the Latest Practicable Date, other than disclosed in the section headed "Business — Legal Proceedings", we were not a party to any litigation, arbitration or claim of material importance, and the Directors were not aware of any pending or threatened litigation, arbitration or claim of material importance against any member of the Group.

3. Estate duty, Tax and other indemnities

Our Controlling Shareholders have entered into a deed of indemnity with and in favor of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in paragraph (c) of the section headed "Further Information about our Business — Summary of material contracts" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any claim to which any member of our Company may be subject arising from non-compliance which occurs on or before the date when [●] becomes unconditional.

Under this deed, the indemnifiers will not be liable in respect of estate duty and taxation liabilities:

(i) for which full provision or allowance, or full payment or discharge, has been made or taken into account in the audited consolidated accounts of the Company made up as at and for the six months ended 30 June 2010;

(ii) which is incurred or is increased as a result of imposition of taxation as a consequence of any retrospective change in law, rules or regulations or interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong or elsewhere) coming into force after the Unconditional Date;

(iii) to the extent that any provision or reserve made for such taxation in the audited consolidated accounts for the Company for the six months ended 30 June 2010 is established to be an overprovision or an excessive reserve;

(iv) which would not have arisen but for any act or omission of, or transaction by, any members of the Group voluntarily effected and outside the ordinary course of business (other than pursuant to a legally binding commitment created on or before the Unconditional Date or consisting of any members of the Group ceasing or being deemed to cease to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation); and

(v) which is discharged by another person and that no member of our Group is required to reimburse such person in respect of the discharge of such tax liabilities.

4. [●]

5. Preliminary Expenses

The preliminary expenses of our Company were approximately HK$76,085, payable by our Company.

6. Promoter

Our Company has no promoter for the purposes of the relevant rules.

9. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Commissions received

[●]

11. No material adverse change

The Directors confirm that there has been no material adverse change in the Company's financial or trading position or prospects since 30 June 2010 (being the date to which our Company's latest audited consolidated financial statements were made up).

12. Miscellaneous

Save as disclosed in this document:

(i) within the two years immediately preceding the date of this document, no share or loan capital of the Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or a consideration other than cash;

(ii) no Share or loan capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) within the two years immediately preceding the date of this document, no commissions, discounts or other special terms have been granted in connection with the issue or sale of any Share or loan capital of the Company or any of our subsidiaries;

(iv) within the two years preceding the date of this document, no commission has been paid or is payable to any person (except commissions to the [●]) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares;

(v) since the last 12 months there has been no material and adverse change in our financial or trading position or prospects of the Company;

(vi) there has not been any interruption in the business of our Company which may have or has had a significant effect on the financial position of our Company in the 12 months preceding the date of this document;

(vii) we have not issued or agreed to issue any founder shares, management shares or deferred shares;

(viii) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any [●] or permission to [●] being or proposed to be sought;

(ix) the English text of this document shall prevail over the Chinese text; and

(x) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any [●] or permission to [●] being or proposed to be sought.

13. Bilingual Document

The English language and Chinese language versions of this document are being published separately, in reliance upon the exemption provided under section 4 of the Companies Ordinance (Exemption of Companies and documents for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).