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 the Listing, 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 Yangtze 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

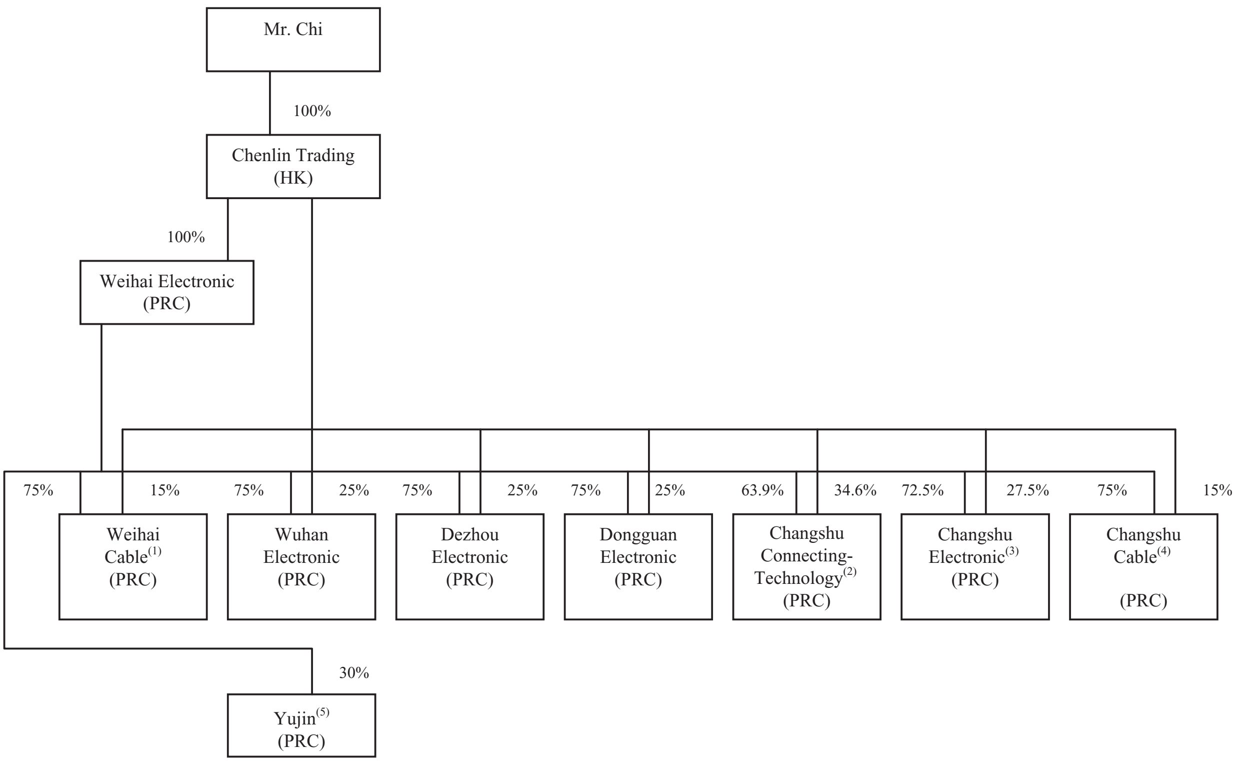
Dongguan Electronic

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 prospectus 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 Listing. 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, the Capitalization Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme)	Approximate percentage of shareholding held immediately after the completion of the Subdivision, the Capitalization Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option 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$1.28 after the Subdivision, Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised. Based on the indicative Offer Price range, the price paid by the Employee Shareholders represents a discount of approximately 52.6% to HK$2.70 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 65.4% to HK$3.70 per Share, being the upper end of the stated Offer Price 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, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, based on the indicative Offer Price range, the price paid by the Minority Shareholders represents a discount of approximately 82.2% to HK$2.70 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 87.0% to HK$3.70 per Share, being the upper end of the stated Offer Price 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, the Capitalization Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme)	Approximate percentage of shareholding held immediately after the completion of the Subdivision, the Capitalization Issue and the Global Offering (without taking into account the exercise of the Over-allotment Option 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 the Listing Date and ending on the date which is one year from the Listing Date ("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.

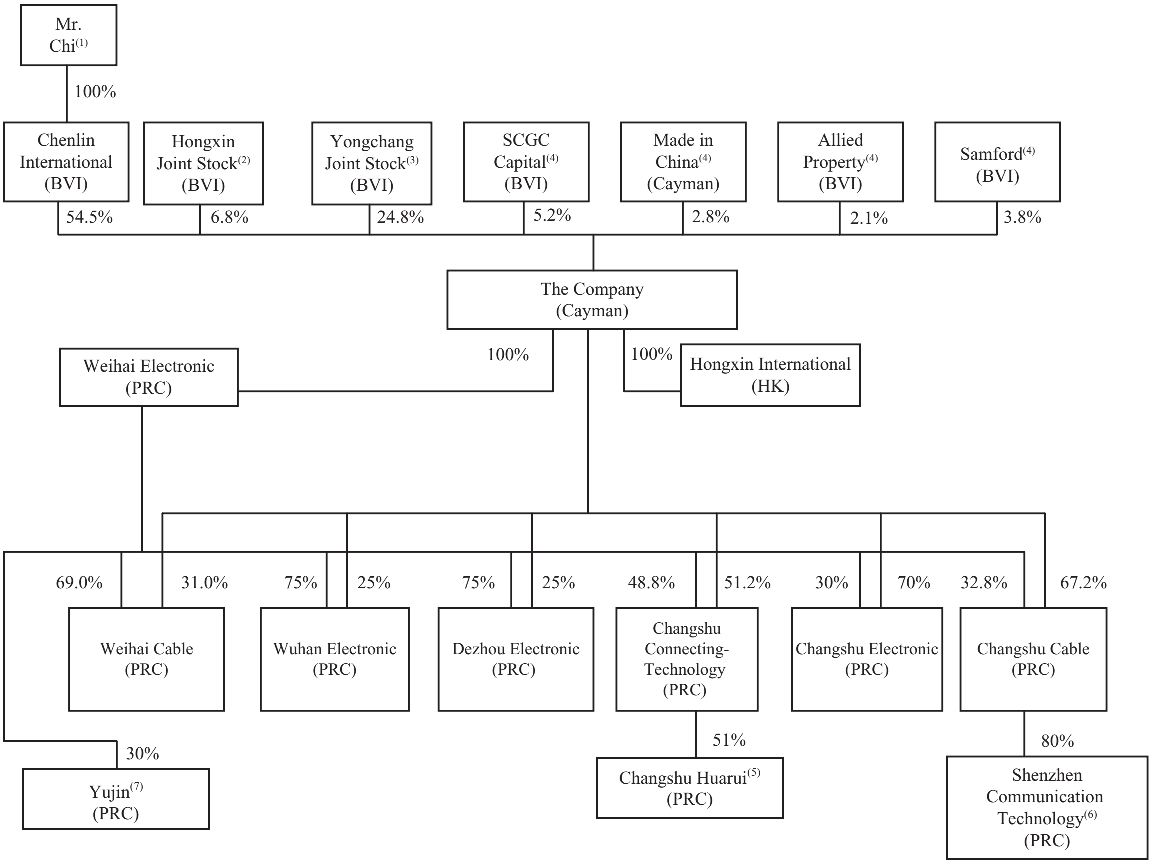
On 6 May 2010, in connection with an investment by Samford, an investor of the Company (for details, please refer to the paragraph headed "Investors — Samford" below), Mr. Chi Rongjie, Hongxin Joint Stock and Samford entered into a share transfer agreement for transferring an aggregate of 600,000 shares 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	Approximate Percentage
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 the Listing. Saved as disclosed, the shares that are held by SCGC Capital do not enjoy any other special rights and 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, the Capitalization Issue and the Global Offering and assuming that Over-allotment Option 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 Listing 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$1.32 after the Subdivision, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised. Based on the indicative Offer Price range, the effective investment cost paid by SCGC Capital represents a discount of approximately 51.1% to HK$2.70 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 64.3% to HK$3.70 per Share, being the upper end of the stated Offer Price range.

SCGC Capital has undertaken that it will not, and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it shall: (a) at any time during the period commencing from the date of the prospectus and ending on the date which is three months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which it is shown in this prospectus to be the beneficial owner; and (b) at any time during the period of three months from the date on which the period referred to in (a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of more than 50 per cent of the Shares in respect of which it is shown in this prospectus to be the beneficial owner.

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 the Listing. Saved as disclosed, the shares held by Made in China and Allied Property do not enjoy any special rights and 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, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option 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 Listing 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, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, respectively. Based on the indicative Offer Price range, the effective investment cost paid by Made in China and Allied Property represents a discount of approximately 45.9% to HK$2.70 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 60.5% to HK$3.70 per Share, being the upper end of the stated Offer Price range.

Each of Made in China and Allied Property has undertaken that it will not, and will procure that none of its associates or companies controlled by it or any nominee or trustee holding in trust for it shall: (a) at any time during the period commencing from the date of the prospectus and ending on the date which is three months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares in respect of which it is shown in this prospectus to be the beneficial owner; and (b) at any time during the period of three months from the date on which the period referred to in (a) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of more than 50 per cent of the Shares in respect of which it is shown in this prospectus to be the beneficial owner.

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, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised. Based on the indicative Offer Price range, the effective investment cost paid by Samford represents a discount of approximately 16.7% of HK$2.70 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 39.2% to HK$3.70 per Share, being the upper end of the stated Offer Price 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, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised. Based on the indicative Offer Price range, the effective investment cost paid by Samford represents a discount of approximately 1.9% to HK$2.70 per Share, being the lower end of the stated Offer Price range, and a discount of approximately 28.4% to HK$3.70 per Share, being the upper end of the stated Offer Price 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 the Listing. Saved as disclosed, the shares held by Samford do not enjoy any other special rights and are not subject to any lock-up after the Listing as the agreement has been entered into and duly completed before the Listing Date, with the price and commitments being affixed on the parties with no adjusting mechanism nor guaranteed exit price in relation to the Listing and the interest held by Samford in our Company is expected to be only 2.8% immediately following the completion of the Subdivision, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option 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 Listing 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

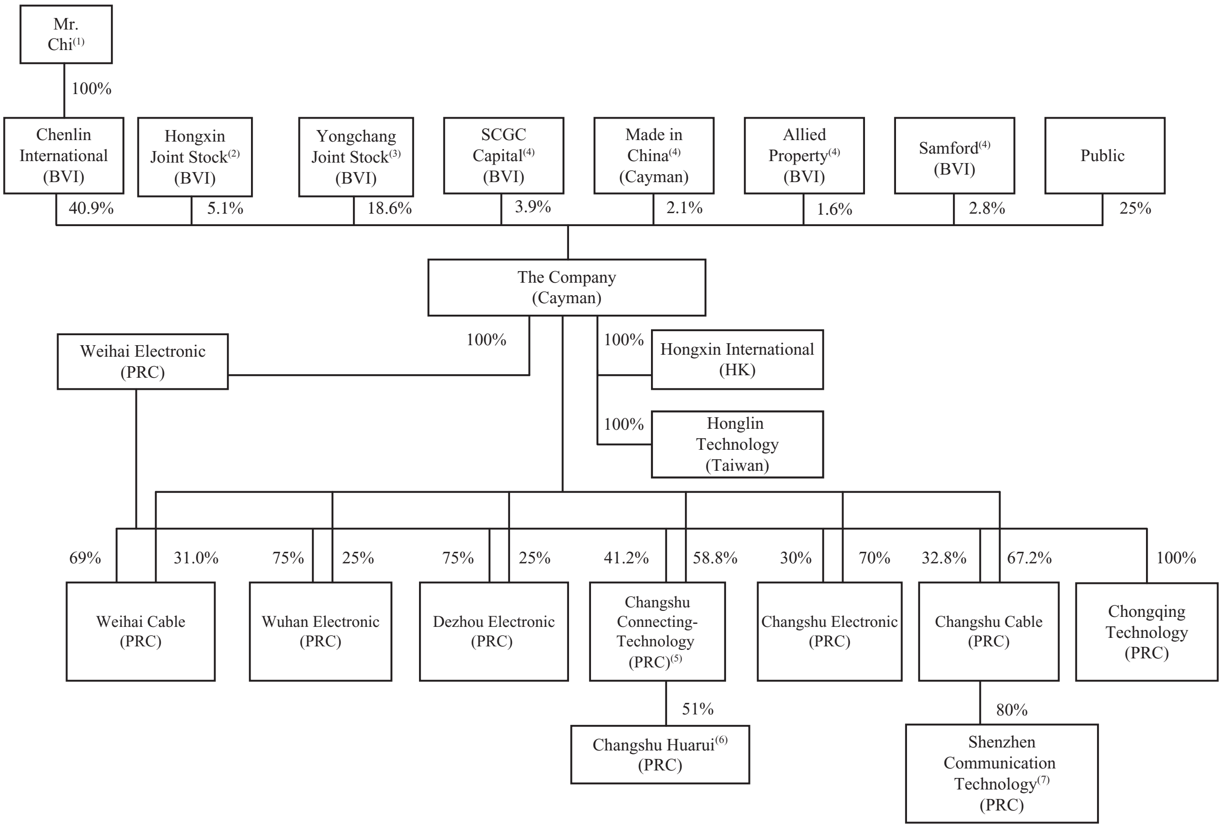
On 27 August 2010, Chongqing Technology was incorporated in Chongqing, China as a limited liability company wholly owned by us to primarily engage in production of LVDS type of notebook internal signal cable assembly and power cord assembly.

SUBDIVISION OF SHARES

In order to facilitate the issue of Offer Shares in connection with the Global Offering, 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.

Corporate Structure upon Completion of the Reorganization and the Global Offering

The following chart sets forth the corporate structure of our Group immediately following the Reorganization, the Subdivision, the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option or any options that may be granted under the Share Option Scheme is not exercised:



Notes:

(1) Mr. Chi is the beneficial owner of 294,283,839 Shares, representing approximately 40.9% of the issued share capital of the Company upon completion of the Global Offering and will be subject to lock-up arrangement as required under the Listing Rules.

(2) Hongxin Joint Stock held a total of 36,791,039 Shares in trust for each of the Employee Shareholders, including three Directors of the 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 a total of 133,849,094 Shares in trust for the following Minority Shareholders:

Name	Position in the Company	Number of Shares	Approximate Percentage
Mr. Chi Rongjie (father of Mr. Chi)	N/A	40,144,347	5.6
Mr. Chi Zhongmin (brother of Mr. Chi)	N/A	3,674,118	0.5
Ms. Xu Yiming (mother-in-law of Mr. Chi)	Director	17,126,918	2.4
Mr. Jiang Taike	Director	16,248,857	2.2
36 Other Minority Shareholders	N/A	56,654,854	7.9
Total		133,849,094	18.6

(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) Following the increase in the registered capital of Changshu Connecting – Technology in October 2010, Changshu Connecting – Technology became owned as to approximately 58.8% by our Company and approximately 41.2% by Weihai Electronic.

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

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

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 prospectus, 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, the Listing of our Company on the Stock Exchange 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.