You should read the following discussion and analysis in conjunction with our consolidated financial information set forth in the Accountants' Report included as Appendix I to this prospectus, and our selected historical consolidated financial information and operating data included in such sections as "Summary", "Risk Factors", "History, Reorganization and Group Structure", "Business" and "Directors, Senior Management and Staff" in this prospectus. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-Looking Statement" in this prospectus.

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 the listing of our shares on the Stock Exchange, 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 the proceeds from the Global Offering towards the development of new plants and expansion of existing production capacity as stated in the "Business — Business Strategies" section of the prospectus.

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 prospectus 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 prospectus. 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 prospectus. 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 prospectus, 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 30 June			
	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 initial public offering, 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 signal 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 prospectus 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 initial public offering; 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 prospectus 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 prospectus 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 the Listing, and such fund transfer activities will not continue after the Listing. 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 Listing.

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 the Listing.

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 prospectus.

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 the Listing. 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 the Listing. 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 prospectus 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 proceeds obtained from the Global Offering.

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 proceeds from the Global Offering. 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 this prospectus:

(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) net proceeds from the Global Offering; 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 net proceeds from the Global Offering, 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 prospectus.

The Directors are also of the opinion even if without the estimated net proceeds from the Global Offering, the Company will have sufficient working capital going forward, albeit the growth of our Group will be slower without such proceeds 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:

	For the year ended 31 December			For the six months ended
	2007	2008	2009	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 Capital 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 net proceeds from the Global Offering. 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 prospectus. 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 Listing. 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.

Distributable Reserves

Our Company was incorporated in the Cayman Islands on 16 November 2007. As of 30 June 2010, we had distributable reserves in the amount of approximately RMB125.0 million available for distribution to the Shareholders.

PROPERTY INTERESTS

Details relating to our property interests are set out in Appendix IV to this prospectus. 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 prospectus.

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 prospectus 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

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

The following unaudited pro forma forecast earnings per Share for the year ending 31 December 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. This unaudited pro forma forecast earnings per Share has been prepared for illustrative purposes only and because of its nature, it may not give a true picture of financial results of the Group following the Global Offering.

For the year ending 31 December 2010

Forecast consolidated profit attributable to owners of our Company (*notes 1 and 2*)	not less than RMB150.0 million (equivalent to about HK$175.2 million)
Unaudited pro forma forecast earnings per Share *(note 3)*	approximately RMB0.21 (approximately HK$0.25)

Notes:

(1) The bases and assumptions on which the above profit forecast for the year ending 31 December 2010 has been prepared are summarized in Appendix III to this prospectus.

(2) The forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2010 prepared by our Directors is based on the audited consolidated results of the Group for the six months ended 30 June 2010, the unaudited consolidated results of the Group for the two months ended 31 August 2010 and a forecast of the consolidated results of the Group for the remaining four months ending 31 December 2010. The forecast has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Company as summarized in the Accountants' Report as set out in Appendix I to this prospectus.

(3) The calculation of the unaudited pro forma forecast earnings per Share is based on the forecast consolidated profit attributable to owners of our Company for the year ending 31 December 2010, assuming the Global Offering, the Subdivision of Shares and the Capitalization Issue had been completed on 1 January 2010 and a weighted average of 712,753,645 Shares in issue during the entire period, taking no account of any additional income the Group may have earned from the estimated net proceeds from the Global Offering and any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets, prepared in accordance with Rule 4.29 of the Listing Rules, is for illustration purpose only, and is set out here to illustrate the effect of the Global Offering on the adjusted consolidated net tangible assets of the Group as of 30 June 2010, as if it had taken place on such date.

The unaudited pro forma adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company following the Global Offering. It is prepared based on the audited consolidated net assets of the Group attributable to the owners of the Company as of 30 June 2010 as shown in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as of 30 June 2010(1)	Estimated net proceeds from the Global Offering(2)	Unaudited pro forma adjusted net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per Share(3)	
	RMB'000	RMB'000	RMB'000	RMB	HK$
Based on the Offer Price of HK$2.70 for each Share	415,341	378,336	793,677	1.10	1.29
Based on the Offer Price of HK$3.70 for each Share	415,341	524,111	939,452	1.30	1.52

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 June 2010 were determined as follows:

	RMB'000
Audited consolidated net assets of the Group as of 30 June 2010 as shown in the Accountants' Report as set out in Appendix I to this prospectus	435,704
Less: Intangible assets as of 30 June 2010	(8,631)
Less: Non-controlling interests as of 30 June 2010	(11,732)
Audited consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 June 2010	415,341

(2) The estimated net proceeds from the Global Offering are based on the Offer Shares and the Offer Price range of HK$2.70 and HK$3.70 per Share, after deduction of underwriting fees and related expenses payable by the Company but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that a total of 720,000,000 Shares are expected to be in issue following the Global Offering, the Subdivision of Shares and the Capitalization Issue, taking no account of any additional income the Group may have earned from the estimated net proceeds from the Global Offering and any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option.

(4) The property interests of the Group were valued by BMI Appraisals Limited and the valuation report in respect of which was set out in Appendix IV to this prospectus. According to the valuation report, the property interests of the Group as of 31 August 2010 amounted to approximately RMB229.3 million. Comparing this amount with the unaudited net carrying value of the property interests of the Group as of 31 August 2010 of approximately RMB158.2 million, there was a surplus of RMB71.1 million. Had the property interests been stated at revaluation basis, additional annual depreciation of RMB3.6 million will therefore be charged. The surplus on revaluation will not be reflected in the Group's consolidated financial statements in subsequent years as the Group has elected to state the property interests at cost.

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 LISTING 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 Listing Rules, would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing 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.