The following is the text of report, prepared for the purpose of incorporation in this prospectus, received from our reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

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3 November 2010

The Directors
HL Technology Group Limited
Piper Jaffray Asia Limited

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") relating to HL Technology Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 and the six months ended 30 June 2010 (the "Track Record Periods"), for inclusion in the prospectus of the Company dated 3 November 2010 (the "Prospectus") in connection with the listing (the "Listing") of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 16 November 2007. Pursuant to a group reorganization (the "Group Reorganization"), as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Group Structure" to the Prospectus, the Company became the holding company of the Group on 30 January 2008.

Particulars of the Company's subsidiaries at the end of each reporting period and the date of this report are as follows:

Name of subsidiary	Place and date of establishment/ incorporation	Fully paid registered capital as at the date of this report	Attributable equity interest held by the Company as at					Principal activities
			31 December			30 June 2010	the date of this report	
			2007	2008	2009			
			%	%	%	%	%	
Directly held by the Company								
威海市泓淋電子有限公司@ (Weihai Honglin Electronic Co., Ltd.*) ("Weihai Electronic") (see note (b) below)	The People's Republic of China (the "PRC") 27 November 1997	US$20,000,000	100	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors and investment holding

Name of subsidiary	Place and date of establishment/ incorporation	Fully paid registered capital as at the date of this report	Attributable equity interest held by the Company as at 31 December 2007	31 December 2008	31 December 2009	30 June 2010	the date of this report	Principal activities
			%	%	%	%	%	
Indirectly held by the Company								
威海市泓淋電線電纜有限公司# (Weihai Honglin Wire & Cable Co., Ltd.*) ("Weihai Cable") (see note (c) below)	PRC 30 July 2003	US$8,000,000	90	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
常熟泓淋電子有限公司# (Changshu Honglin Electronic Co., Ltd.*) ("Changshu Electronic")	PRC 10 June 2002	US$5,000,000	100	100	100	100	100	Manufacture and sales of signal cables and wire harness
常熟泓淋電線電纜有限公司# (Changshu Honglin Wire & Cable Co., Ltd.*) ("Changshu Cable") (see note (d) below)	PRC 25 August 2006	US$4,100,050	90	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
常熟泓淋連接技術有限公司# (Changshu Honglin Connecting-Technology Co., Ltd.*) ("Changshu Connecting-Technology") (see note (e) below)	PRC 1 March 2004	US$7,700,050	98.46	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
德州泓淋電子有限公司# (Dezhou Honglin Electronic Co., Ltd.*) ("Dezhou Electronic")	PRC 13 March 2006	US$3,000,000	100	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
武漢市泓淋電子有限公司# (Wuhan Honglin Electronic Co., Ltd.*) ("Wuhan Electronic")	PRC 11 October 2005	US$1,000,000	100	100	100	100	100	Manufacture and sales of signal cable assembly, power cord assembly, wire and cable products and connectors
東莞泓淋電子有限公司# (Dongguan Honglin Electronic Co., Ltd.*) ("Dongguan Electronic") (see note (f) below)	PRC 11 June 2007	US$3,000,000	100	N/A	N/A	N/A	N/A	Manufacture and sales signal cable assembly, power cord assembly, wire and cable products and connectors

Name of subsidiary	Place and date of establishment/ incorporation	Fully paid registered capital as at the date of this report	Attributable equity interest held by the Company as at 31 December 2007	31 December 2008	31 December 2009	30 June 2010	the date of this report	Principal activities
			%	%	%	%	%	
常熟華銳精密電子有限公司## (Changshu Huarui Precision Electronics Co., Ltd.*) ("Changshu Huarui")	PRC 18 April 2009	RMB20,000,000	N/A	N/A	51	51	51	Manufacture and sales of iron panel and aluminium plate used for computer keyboards
深圳市泓淋通訊科技有限公司## (Shenzhen Honglin Communication Technology Co., Ltd.*) ("Shenzhen Communication Technology")	PRC 5 November 2009	RMB6,000,000	N/A	N/A	80	80	80	Manufacture and sales of router antenna, WIFI antenna and telephone antenna
Hongxin International Limited ("Hongxin International")	Hong Kong 22 February 2010	HK$1.00	N/A	N/A	N/A	100	100	Trading of signal cable assembly, power cord assembly, wire and cable products and other products
泓淋科技有限公司 (Honglin Technology Co., Ltd.*) ("Honglin Technology")	Taiwan 21 July 2010	TW$70,000,000	N/A	N/A	N/A	N/A	100	Marketing, research and developments of signal cable assembly, power cord assembly, wire and cable products and other products
重慶市泓淋科技有限公司 (Chongqing Honglin Technology Co., Ltd.*) ("Chongqing Technology")	PRC 27 August 2010	RMB10,000,000	N/A	N/A	N/A	N/A	100	Manufacture and sales of signal cables and wire harness

Notes:

(a) With the exception of Hongxin International and Honglin Technology which were incorporated in Hong Kong and Taiwan, respectively with limited liability, the other subsidiaries of the Company were established in the PRC in one of the following legal forms:

@ wholly foreign-owned limited liabilities enterprises
# sino-foreign joint ventures
domestic limited liability enterprises

(b) 青島泓淋電子有限公司 (Qingdao Honglin Electronic Co., Ltd.*, "Qingdao Electronic") was a private limited company established in the PRC on 20 February 2004. The company was engaged in the manufacture and sale of signal cable assembly, power cord assembly, wires and cables and, prior to Qingdao Electronic Merger (as defined below), the registered capital of Qingdao Electronic was US$1,000,000.

As at 1 January 2007, Qingdao Electronic was owned as to 55%, 20% and 25% by Weihai Electronic, 青島興亞電子有限公司 (Qingdao Xingya Electronic Co., Ltd.*, "Xingya") and Jung Woo CNC ("Jung Woo"), respectively.

Pursuant to an agreement between Weihai Electronic, Xingya, Jung Woo and Chenlin International Trading Company ("Chenlin Trading") in May 2007, Qingdao Electronic merged its operations and businesses with Weihai Electronic (the "Qingdao Electronic Merger"). Subsequent to the Qingdao Electronic Merger, Xingya and Jung Woo held 0.95% and 1.19% equity interests, respectively, in Weihai Electronic and then subsequently transferred their entire respective shareholdings in Weihai Electronic to Chenlin Trading. As a result, Weihai Electronic remained as a wholly owned subsidiary of Chenlin Trading. Pursuant to the Group Reorganization, Weihai Electronic became a direct wholly owned subsidiary of the Company.

(c) As at 1 January 2007, Weihai Cable was owned as to 75%, 15% and 10% by Weihai Electronic, Chenlin Trading and Win Forever Electric Wire (H.K.) Limited ("Win Forever"), respectively. Win Forever which is wholly owned by Mr. Jiang Taihong, a brother of Mr. Jiang Taike, holds the 10% equity interest in Weihai Cable on trust for Mr. Jiang Taike. Mr. Jiang Taike is a shareholder and a director of the Company.

威海市泓淋塑膠有限公司 (Weihai Honglin Plastic Co., Ltd.*, "Weihai Plastic") was a sino-foreign joint venture company established in the PRC on 30 December 2001. The company was engaged in the manufacture and sale of plastic materials and, prior to Weihai Plastic Merger (as defined below), the registered capital of Weihai Plastic was US$1,000,000.

As at 1 January 2007, Weihai Plastic was owned as to 57.5%, 12.5%, 15% and 15% by Weihai Electronic, Chenlin Trading, 上海滬展塑料有限公司 (Shanghai Huzhan Plastic Co., Ltd.*, "Huzhan") and Yu Shun Rong Plastics Co., Ltd. ("Yu Shun Rong"), respectively.

Pursuant to an agreement between Weihai Cable and Weihai Plastic in November 2006, Weihai Plastic merged its operations and businesses with Weihai Cable (the "Weihai Plastic Merger"). Subsequent to the Weihai Plastic Merger, Weihai Electronic, Chenlin Trading, Huzhan, Yu Shun Rong and Win Forever owned as to 69.16%, 14.17%, 5%, 5% and 6.67% equity interests, respectively, in Weihai Cable.

On 17 August 2007, Weihai Cable increased its registered capital from US$3,000,000 to US$5,000,000. Subsequent to the capital contribution, Weihai Electronic, Chenlin Trading, Huzhan, Yu Shun Rong and Win Forever owned as to 68.96%, 15.80%, 4.06%, 4.06% and 7.12% equity interests, respectively, in Weihai Cable.

Pursuant to the agreement between Yu Shun Rong, Chenlin Trading and Hongkong Tiger Electrical Industry Company ("Hongkong Tiger") on 18 August 2007, Yu Shun Rong transferred its 1.18% and 2.88% interests in Weihai Cable to Chenlin Trading and Hongkong Tiger, respectively. Pursuant to the agreement between Huzhan and Chenlin Trading on 18 August 2007, Huzhan transferred its 4.06% interest in Weihai Cable to Chenlin Trading. Pursuant to the agreement between Win Forever and Hongkong Tiger on 18 August 2007, Win Forever transferred its 7.12% interest in Weihai Cable to Hongkong Tiger. Mr. Jiang Taike owns the entire equity interest in Hongkong Tiger.

Subsequent to the above changes in the shareholdings in Weihai Cable, as at 31 December 2007, Weihai Cable was owned as to 68.96%, 21.04% and 10% by Weihai Electronic, Chenlin Trading and Hongkong Tiger, respectively. Pursuant to the Group Reorganization, Weihai Cable became an indirect wholly owned subsidiary of the Company.

(d) As at 31 December 2007, Changshu Cable was owned as to 75%, 15% and 10% by Weihai Electronic, Chenlin Trading and Hongkong Tiger, respectively. Pursuant to the Group Reorganization, Changshu Cable became an indirect wholly owned subsidiary of the Company.

(e) As at 31 December 2007, Changshu Connecting-Technology was owned as to 63.85%, 34.61% and 1.54% by Weihai Electronic, Chenlin Trading and 台灣宏麟國際科技有限公司 (Taiwan Hunglin International Technology Co., Ltd.), respectively. Pursuant to the Group Reorganization, Changshu Connecting-Technology became an indirect wholly owned subsidiary of the Company.

(f) As at 31 December 2007, Dongguan Electronic was owned as to 75% and 25% by Weihai Electronic and Chenlin Trading, respectively. As explained in note 32, on 24 October 2008, Weihai Electronic and the Company disposed of their equity interests in Dongguan Electronic to United Asia Metal & Machine Co ("United Metal") and 裕順榮塑膠五金製品(深圳)有限公司 (Yu Shun Rong Plastics Hardware Products (Shenzhen) Co., Ltd.*, "Yu Shun Rong (Shenzhen)") and accordingly, Dongguan Electronic ceased to be an indirect wholly owned subsidiary of the Group.

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* The English names are for identification purpose only

The Company and its subsidiaries have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company since its date of incorporation as there is no such statutory requirement for the Company to prepare statutory audited financial statements.

No audited financial statements have been prepared for Hongxin International as its first statutory financial statements which cover the period from its date of incorporation to 31 December 2010 is not due to be issued.

The statutory financial statements of the Company's PRC subsidiaries for the three years ended 31 December 2009 or since their respective dates of incorporation or establishment, where this is a shorter period, were prepared in accordance with the relevant accounting principles and financial regulations applicable to enterprises established in the PRC and were audited by the following certified public accountants registered in the PRC:

Name of subsidiary	Financial period	Name of auditor
Weihai Electronic	For the year ended 31 December 2007	威海永然會計師事務所有限公司 (Weihai Yongran Certified Public Accountants Co., Ltd.*)
	For the two years ended 31 December 2009	山東藍海會計師事務所 (Shandong Blue Sea Certified Public Accountants*)
Weihai Cable	For the year ended 31 December 2007	Weihai Yongran Certified Public Accountants Co., Ltd.
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Changshu Electronic	For the year ended 31 December 2007	蘇州恒安會計師事務所 (Suzhou Heng'an Certified Public Accountants*)
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Changshu Cable	For the year ended 31 December 2007	Suzhou Heng'an Certified Public Accountants
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Changshu Connecting-Technology	For the year ended 31 December 2007	Suzhou Heng'an Certified Public Accountants
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Dezhou Electronic	For the year ended 31 December 2007	德州德信有限責任會計師事務所 (Dezhou Dexin Certified Public Accountants Co., Ltd.*)
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Wuhan Electronic	For the year ended 31 December 2007	武漢德誠聯合會計師事務所 (Wuhan Decheng Joint Certified Public Accountants*)
	For the two years ended 31 December 2009	Shandong Blue Sea Certified Public Accountants
Dongguan Electronic	For the year ended 31 December 2007	廣東正量會計師事務所有限公司 (Guangdong Zhengliang Certified Public Accountants Co., Ltd.*)
Changshu Huarui	For the period from 18 April 2009 to 31 December 2009	Shandong Blue Sea Certified Public Accountants
Shenzhen Communication Technology	For the period from 5 November 2009 to 31 December 2009	Shandong Blue Sea Certified Public Accountants

* The English names are for identification purpose only

Note: Qingdao Electronic and Weihai Plastic were deregistered on 6 December 2007 and 28 June 2007, respectively and accordingly, Qingdao Electronic and Weihai Plastic did not prepare any statutory financial statements for the year ended 31 December 2007.

No audited financial statements have been prepared for the Company and its subsidiaries for the six months ended 30 June 2010 as there is no such statutory requirement.

For the purposes of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). We have undertaken an independent audit on the Underlying Financial Statements in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Periods set out in this report has been prepared from the Underlying Financial Statements, on the basis set out in note 2 of Section I below. No adjustments are considered necessary to the Underlying Financial Statements in preparing our report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 2 of Section I below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, and of the consolidated results and consolidated cash flows of the Group for the Track Record Periods.

The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended 30 June 2009 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "30 June 2009 Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We have reviewed the 30 June 2009 Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the 30 June 2009 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion on the 30 June 2009 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the 30 June 2009 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

I. FINANCIAL INFORMATION

A. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

B. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group				The Company			
		As at 31 December			At 30 June	As at 31 December			At 30 June
	NOTES	2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS									
Property, plant and equipment	16	193,782	268,408	308,576	325,960	—	—	—	—
Prepaid lease payments	17	17,264	16,904	16,544	26,568	—	—	—	—
Intangible assets . . .	18	1,868	4,029	5,821	8,631	—	—	—	—
Deferred tax assets	19	4,518	4,435	3,904	3,499	—	—	—	—
Investments in subsidiaries	20	—	—	—	—	—	200,135	268,828	268,828
Interest in an associate	21	1,210	—	—	—	—	—	—	—
		218,642	293,776	334,845	364,658	—	200,135	268,828	268,828
CURRENT ASSETS									
Inventories	22	139,116	115,309	115,594	185,306	—	—	—	—
Trade and other receivables	23	241,327	338,798	423,521	592,455	—	36,908	7,184	21,025
Derivative financial assets	24	—	—	—	1,774	—	—	—	1,774
Prepaid lease payments	17	360	360	360	565	—	—	—	—
Restricted bank balances	25	19,272	34,976	41,471	39,046	—	—	—	14,940
Bank balances and cash	26	19,805	23,413	73,744	75,170	363	109	2,375	6,053
		419,880	512,856	654,690	894,316	363	37,017	9,559	43,792
CURRENT LIABILITIES									
Trade and other payables	27	320,600	335,341	302,007	311,343	363	4,101	9,892	11,316
Derivative financial liabilities	24	—	920	—	1,202	—	—	—	886
Income tax liabilities		204	2,859	7,139	8,970	—	3,110	6,200	5,816
Bank borrowings . . .	28	140,168	243,276	353,439	501,755	—	—	—	—
		460,972	582,396	662,585	823,270	363	7,211	16,092	18,018
NET CURRENT (LIABILITIES) ASSETS		(41,092)	(69,540)	(7,895)	71,046	—	29,806	(6,533)	25,774
TOTAL ASSETS LESS CURRENT LIABILITIES . . .		177,550	224,236	326,950	435,704	—	229,941	262,295	294,602

		The Group				The Company			
		As at 31 December			At 30 June	As at 31 December			At 30 June
	NOTES	2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CAPITAL AND RESERVES									
Paid-in capital/share capital	29	127,401	60,943	60,943	62,894	—	60,943	60,943	62,894
Reserves	30	42,680	160,203	255,615	361,078	—	168,998	201,352	231,708
Equity attributable to owners of the Company		170,081	221,146	316,558	423,972	—	229,941	262,295	294,602
Non-controlling interests		7,469	—	10,392	11,732	—	—	—	—
Total equity		177,550	221,146	326,950	435,704	—	229,941	262,295	294,602
NON-CURRENT LIABILITIES									
Deferred tax liabilities	19	—	3,090	—	—	—	—	—	—
		177,550	224,236	326,950	435,704	—	229,941	262,295	294,602

C. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company									
	Paid-in capital/ share capital	Share premium	Special reserve	Share awards reserve	Other reserve	Statutory surplus reserve	(Accumulated losses) retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (note (a) below)	RMB'000	RMB'000	RMB'000 (note (b) below)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007	84,809	—	—	—	—	5,535	(1,762)	88,582	9,606	98,188
Capital contribution of subsidiaries	17,362	—	—	—	—	—	—	17,362	773	18,135
Acquisition of non-controlling interests in subsidiaries	—	—	—	—	1,642	—	—	1,642	(5,646)	(4,004)
Capitalization of retained earnings in respect of subsidiaries (see note (c))	25,230	—	—	—	—	—	(25,230)	—	—	—
Profit and total comprehensive income for the year	—	—	—	—	—	—	62,663	62,663	2,847	65,510
Transfer	—	—	—	—	—	7,864	(7,864)	—	—	—
Dividends	—	—	—	—	—	—	(168)	(168)	(111)	(279)
At 31 December 2007	127,401	—	—	—	1,642	13,399	27,639	170,081	7,469	177,550
Capital contribution of subsidiaries	2,265	—	—	—	—	—	—	2,265	—	2,265
Acquisition of non-controlling interests in subsidiaries	—	—	—	—	2,824	—	—	2,824	(7,602)	(4,778)
Issue of shares to owners of the Company (see note 29)	2,390	2,388	—	—	—	—	—	4,778	—	4,778
Issue of shares upon Group Reorganization (see note 29)	(74,394)	—	74,394	—	—	—	—	—	—	—
Issue of shares to SCGC Capital (see note 29)	3,281	30,848	—	—	—	—	—	34,129	—	34,129
Recognition of equity-settled share-based payments (see note 31)	—	—	—	(23,333)	—	—	—	(23,333)	—	(23,333)
Profit and total comprehensive income for the year	—	—	—	—	—	—	54,402	54,402	133	54,535
Transfer	—	—	—	—	—	7,257	(7,257)	—	—	—
Dividends	—	—	—	—	—	—	(24,000)	(24,000)	—	(24,000)
At 31 December 2008	60,943	33,236	74,394	(23,333)	4,466	20,656	50,784	221,146	—	221,146
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	10,160	10,160
Recognition of equity-settled share-based payments (see note 31)	—	—	—	7,147	—	—	—	7,147	—	7,147
Profit and total comprehensive income for the year	—	—	—	—	—	—	88,265	88,265	232	88,497
Transfer	—	—	—	—	—	12,389	(12,389)	—	—	—
At 31 December 2009	60,943	33,236	74,394	(16,186)	4,466	33,045	126,660	316,558	10,392	326,950

	Attributable to owners of the Company									
	Paid-in capital/ share capital	Share premium	Special reserve	Share awards reserve	Other reserve	Statutory surplus reserve	(Accumulated losses) retained profits	Total	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000 (note (a) below)	RMB'000	RMB'000	RMB'000 (note (b) below)	RMB'000	RMB'000	RMB'000	RMB'000
Capital contribution from shareholder of the Company	1,951	32,189	—	—	—	—	—	34,140	—	34,140
Capital contribution from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	840	840
Recognition of equity-settled share-based payments (see note 31)	—	—	—	3,573	—	—	—	3,573	—	3,573
Profit and total comprehensive income for the period	—	—	—	—	—	—	69,701	69,701	500	70,201
At 30 June 2010	62,894	65,425	74,394	(12,613)	4,466	33,045	196,361	423,972	11,732	435,704
At 1 January 2009	60,943	33,236	74,394	(23,333)	4,466	20,656	50,784	221,146	—	221,146
Capital contribution from non-controlling interests in subsidiaries	—	—	—	—	—	—	—	—	9,800	9,800
Recognition of equity-settled share-based payments (see note 31)	—	—	—	3,573	—	—	—	3,573	—	3,573
Profit and total comprehensive income for the period	—	—	—	—	—	—	31,240	31,240	(394)	30,846
At 30 June 2009 (unaudited)	60,943	33,236	74,394	(19,760)	4,466	20,656	82,024	255,959	9,406	265,365

Notes:

(a) Special reserve

Special reserve of the Group represents the difference between the nominal amount of the shares issued by the Company and the aggregate amount of paid-in capital of the subsidiaries acquired pursuant to the Group Reorganization.

(b) Statutory surplus reserve

As stipulated by the relevant laws and regulations for enterprises in the PRC, the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. The appropriations to such reserve are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries. The statutory surplus reserve fund can be used to make up prior period/year losses, if any, and can be applied in conversion into capital by means of capitalization issue.

(c) Capitalization of retained earnings in respect of subsidiaries

During the year ended 31 December 2007, two subsidiaries of the Group, Weihai Electronic and Weihai Cable, capitalized retained earnings of RMB23,116,000 and RMB2,114,000, respectively as capital for that year.

D. CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December 2007	2008	2009	Six months ended 30 June 2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES						
Profit before tax		67,959	66,064	96,587	34,200	78,454
Adjustments for:						
Finance costs		9,117	15,625	13,924	6,746	8,929
Interest income		(368)	(503)	(455)	(310)	(138)
Share of loss of an associate		214	—	—	—	—
Depreciation of property, plant and equipment		12,172	19,777	28,192	12,715	17,964
Amortization of intangible assets		227	392	674	313	575
Release of prepaid lease payments		132	360	360	180	161
Losses on disposals of property, plant and equipment and prepaid lease payments		306	171	614	304	75
Changes in fair value of derivative financial instruments		—	4,637	(3,029)	(1,106)	1,752
Gain on disposal of Dongguan Electronic	32	—	(3,311)	—	—	—
Gain on disposal of technology know-how		—	—	(4,500)	—	—
Allowances for trade and other receivables — net		272	4,636	7	431	478
Impairment loss recognized in respect of interest in an associate		—	1,210	—	—	—
Write-down of inventories		—	4,483	1,334	137	—
Exchange gains relating to bank borrowings		(3,616)	(3,888)	(33)	(18)	(870)
Share-based payments		—	1,787	7,147	3,573	3,573
Operating cash flows before movements in working capital		86,415	111,440	140,822	57,165	110,953
(Increase) decrease in trade and other receivables		(52,265)	(100,521)	(92,070)	8,006	(169,412)
(Increase) decrease in inventories		(51,641)	2,774	(1,619)	19,896	(69,712)
Increase (decrease) in trade and other payables		44,109	16,280	(28,384)	(41,892)	1,377
Settlement of derivative financial instruments		—	(3,717)	2,109	(671)	(2,324)
Cash generated from operations		26,618	26,256	20,858	42,504	(129,118)
Income taxes paid		(5,976)	(5,701)	(6,369)	(2,158)	(6,017)
Interest paid		(9,889)	(18,812)	(14,019)	(6,841)	(8,964)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		10,753	1,743	470	33,505	(144,099)
INVESTING ACTIVITIES						
Interest received		368	503	455	310	138
Purchase of property, plant and equipment		(86,321)	(102,124)	(74,564)	(51,116)	(40,340)
Purchase of prepaid lease payments		(7,136)	(3,550)	—	—	(11,487)
Purchase of intangible assets		(649)	(2,584)	(2,466)	(1,017)	(3,385)
Additional capital contribution in respect of investment in an associate		(506)	—	—	—	—
Proceeds on disposals of property, plant and equipment and prepaid lease payments		654	1,571	756	155	14,008
Proceeds on disposal of Dongguan Electronic	32	—	4,363	7,319	4,842	—
Proceeds on disposal of technology know-how		—	—	4,500	—	—

	NOTES	Year ended 31 December 2007 RMB'000	2008 RMB'000	2009 RMB'000	Six months ended 30 June 2009 RMB'000 (Unaudited)	2010 RMB'000
Decrease (increase) in restricted bank balances		1,637	(15,704)	(6,495)	6,767	2,425
NET CASH USED IN INVESTING ACTIVITIES		(91,953)	(117,525)	(70,495)	(40,059)	(38,641)
FINANCING ACTIVITIES						
New borrowings raised		210,441	393,127	544,359	253,310	452,883
Capital contribution of subsidiaries		18,135	2,265	10,160	9,800	840
Capital contribution from owners of the Company		—	38,907	—	—	34,140
Repayments of borrowings		(133,389)	(286,131)	(434,163)	(243,734)	(303,697)
Acquisition of non-controlling interests in subsidiaries		(4,004)	(4,778)	—	—	—
Dividends paid		(279)	(24,000)	—	—	—
NET CASH FROM FINANCING ACTIVITIES		90,904	119,390	120,356	19,376	184,166
NET INCREASE IN CASH AND CASH EQUIVALENTS		9,704	3,608	50,331	12,822	1,426
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		10,101	19,805	23,413	23,413	73,744
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, represented by bank balances and cash		19,805	23,413	73,744	36,235	75,170

E. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL

The Company is a limited liability company incorporated in the Cayman Islands on 16 November 2007.

The address of the registered office and the principal place of business of the Company are set out in the Section "Corporate Information" to the Prospectus.

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

The Financial Information of the Group is presented in Renminbi ("RMB"), the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the Company and the principal subsidiaries).

2. BASIS OF PRESENTATION OF THE FINANCIAL INFORMATION

Pursuant to the Group Reorganization to rationalize the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 30 January 2008 as a result of the Company acquiring from Chenlin Trading, which is wholly owned by Mr. Chi Shaolin ("Mr. Chi"), its entire equity interest in Weihai Electronic in consideration for 52,500,000 ordinary shares to be issued to Chenlin International Joint Stock Company Limited ("Chenlin International"), which is also wholly owned by Mr. Chi. During the period from January to March 2008, Chenlin Trading further transferred its then equity interests in Weihai Cable, Changshu Electronic, Changshu Cable, Changshu Connecting-Technology, Dezhou Electronic, Wuhan Electronic and Dongguan Electronic (Weihai Electronic, together with its subsidiaries, namely Weihai Cable, Changshu Electronic, Changshu Cable, Changshu Connecting-Technology, Dezhou Electronic, Wuhan Electronic and Dongguan Electronic, are hereinafter collectively referred to as the "Weihai Electronic Group") to the Company in consideration for 28,510,323 ordinary shares of the Company to be issued to Chenlin International. In addition, the Company acquired the non-controlling interests in Weihai Cable, Changshu Cable and Changshu Connecting-Technology from their then shareholders for a total consideration of US$700,000. The details of the above share transactions are set out in note 29.

The Group comprising the Company and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity. The Financial Information has been prepared on the basis as if the Company had always been the holding company of the Group throughout the Track Record Periods.

The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flow of the Group have been prepared as if the current group structure had been in existence throughout the Track Record Periods, or since the respective dates of establishment of the relevant companies now comprising the Group where this is a shorter period, except for those subsidiaries that were either acquired, merged or disposed of during the Track Record Periods which were accounted for from the respective effective dates of acquisition or up to the respective dates of merger or disposal.

The consolidated statement of financial position of the Group as at 31 December 2007 has been prepared to present the assets and liabilities of the companies now comprising the Group as at 31 December 2007 as if the current group structure had been in existence at that date.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purposes of preparing and presenting the Financial Information of the Group for the Track Record Periods, the Group has consistently applied a number of new and revised International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs), amendments and the related Interpretations ("IFRICs") (hereinafter collectively referred to as the "new IFRSs") which are effective on 1 January 2010, with the following exceptions:

IFRS 3 (2008) "*Business Combinations*" has been applied prospectively to business combinations for which the acquisition date is on or after 1 January 2010. IFRS 3 (2004) "*Business Combinations*" has been applied to business combinations for which the acquisition date is before 1 January 2010.

IAS 27 (2008) "*Consolidated and Separate Financial Statements*" has been applied consistently throughout the Track Record Periods except the amendment for attributing total comprehensive income to the owners of the Company and non-controlling interests even if this results in the non-controlling interests having a deficit balance, which has been applied prospectively from 1 January 2010.

Other new IFRSs have been applied consistently throughout the Track Record Periods.

At the date of this report, the Group has not applied the following new and revised standards, amendments or interpretations that have been issued but not yet effective.

IFRSs (Amendments)	Improvements to IFRSs May 2010[1]
IAS 24 (Revised)	Related Party Disclosures[3]
IAS 32 (Amendment)	Classification of Right Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[4]
IFRS 7 (Amendment)	Transfers of Financial Assets[6]
IFRS 9	Financial Instruments[5]
IFRIC — INT 14 (Amendments)	Prepayments of a Minimum Funding Requirement[3]
IFRIC — INT 19	Extinguishing Financial Liabilities with Equity Instruments[4]

(1) Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

(2) Effective for annual periods beginning on or after 1 February 2010

(3) Effective for annual periods beginning on or after 1 January 2011

(4) Effective for annual periods beginning on or after 1 July 2010

(5) Effective for annual periods beginning on or after 1 January 2013

(6) Effective for annual periods beginning on or after 1 July 2011

The directors of the Company anticipate that the application of these new or revised standards and interpretations will have no material impact on the Financial Information of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared under the historical cost basis, except for certain financial instruments which are measured at fair value, as explained in the accounting policies set out below.

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs issued by the IASB. These policies have been consistently applied throughout the Track Record Periods. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Basis of consolidation

The Financial Information incorporated the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Periods (other than business combinations involving entities under common control) are included in the consolidated statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the equity of the owners of the Company.

Allocation of total comprehensive income to non-controlling interests

Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

Starting from 1 January 2010, total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary

Changes in the Group's ownership interest in a subsidiary that do not result in the Group losing control over the subsidiary are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Changes in the Group's ownership interest in a subsidiary that result in the Group losing control over the subsidiary

- *Prior to 1 January 2010*

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between the consideration received and the carrying amount of the share of net assets disposed of.

- *On or after 1 January 2010*

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest determined at the date when control is lost and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings at the date when control is lost). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 "*Financial Instruments: Recognition and Measurement*" or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Merger accounting

In applying merger accounting, the Financial Information incorporates the financial statement items of the combining entities or businesses as if they had been combined from the earliest date presented.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognized in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented, regardless of the date of the combination.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less any identified impairment loss. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable during the Track Record Periods.

Interests in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in this Financial Information using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associates, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. An additional share of losses is provided for and a liability is recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of discounts and sales related taxes.

Revenue from sale of goods is recognized when goods are delivered and title has passed.

Service income is recognized when the services are provided.

Interest income from a financial asset, other than a financial asset at fair value through profit or loss, is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognized as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally classified as finance lease. To the extent the allocation of the lease payments can be made reliably, leasehold land is classified as finance leases if substantially all the risk and rewards incidental to ownership of the land element is transferred to the Group. In other cases, leasehold land is classified as operating leases.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (the translation reserve).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognized in profit or loss, except when it relates to items that are recognized in other comprehensive income or directly to equity, in which case the deferred tax is also recognized in other comprehensive income or directly in equity respectively.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the year/period in which they are incurred.

Government grants

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Government grants not related to depreciable assets are recognized as revenue over the periods necessary to match them with the costs for which they are intended to compensate on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefits schemes are charged as expenses when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognized impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for its intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized in profit or loss in the period in which the item is derecognized.

Prepaid lease payments

Prepaid lease payments represent payments for leasehold land and are released over the lease terms on a straight-line basis. Prepaid lease payments which are to be released in the next twelve months or less are classified as current assets.

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on non-current assets below).

Gains or losses arising form derecognition of an intangible asset are measured at the difference between the net disposed proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) shall be recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.

- how the intangible asset will generate probable future economic benefits.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Impairment of non-current assets other than financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the two categories, including financial assets at fair value through profit or loss ("FVTPL") and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in other gains and losses.

Financial assets at fair value through profit or loss

Financial assets at FVTPL of the Group comprise financial assets held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted bank balances and bank balances and cash) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are generally classified into financial liabilities at FVTPL and other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognized on an effective interest basis other than those financial liabilities classified as at FVTPL, of which the interest expense is included in net gains or losses.

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL of the Group comprise financial liabilities held for trading.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities.

Other financial liabilities

Other financial liabilities (including bank borrowings and trade and other payables) are subsequently measured at amortized cost, using the effective interest method.

Equity instruments

Equity instruments issued by a group entity are recorded at the proceeds received, net of direct issue costs.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. If the Group retains substantially all the risks and rewards of the ownership of a transferred asset, the Group continues to recognize the financial asset and recognize a collateralized borrowing for proceeds received.

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amounts of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Share based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of equity instruments granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share awards reserve).

At the end of the reporting period, the Group revises its estimates of the number of equity instruments that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with at corresponding adjustment to share awards reserve.

5. KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period.

(a) Estimated impairment of inventories

The Group assesses periodically if the inventories have been suffered from any impairment in accordance with the accounting policy stated in note 4. The amount of the impairment loss is measured as the difference between inventories' cost and net realizable values.

The identification of impairment of inventories requires the use of judgment and estimates of expected net realizable value. Where the actual net realizable value is different from the original estimate, a material impairment loss may arise. The directors of the Company are satisfied that this risk is minimal and adequate allowance for obsolete and slow moving inventories was provided during the Track Record Periods. As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the carrying amounts of inventories are approximately RMB139,116,000, RMB115,309,000, RMB115,594,000 and RMB185,306,000 respectively (net of inventory write-down of nil, RMB4,483,000, RMB3,893,000 and RMB2,049,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively).

(b) Estimated impairment of trade and other receivables

As explained in note 4, trade and other receivables are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method less impairment. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition).

The Group does not require collateral or other security against its trade and other receivables. The Group performs ongoing evaluation of the financial conditions of the Group's trade and other receivables and when the balances would not be settled as expected, the Group would impair the balances and make necessary provision for such trade and other receivables.

The identification of bad and doubtful debts on trade and other receivables requires the use of judgment and estimates of expected future cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. The directors of the Company are satisfied that this risk is minimal and adequate allowance for doubtful debts was provided during the Track Record Periods. As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the carrying amounts of trade and other receivable are approximately RMB241,327,000, RMB338,798,000, RMB423,521,000 and RMB592,455,000 respectively (net of allowance for doubtful debts of RMB272,000, RMB4,908,000, RMB3,347,000 and RMB3,825,000 as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively).

(c) Useful life and residual value of property, plant and equipment

The management determines the residual value, useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual residual value and useful lives of property, plant and equipment of similar nature and functions and may vary significantly as a result of technical innovation and keen competition from competitors, resulting in higher depreciation charge and/or write-off or write-down of technically obsolete assets when residual value or useful lives are less than previously estimated.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group entities will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged for the Track Record Periods.

The capital structure of the Group and the Company consists of bank borrowings, restricted bank balances, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained profits.

The directors of the Company review the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through new share issues as well as raising of new borrowings or the repayment of existing borrowings.

7. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets								
— Loan and receivables (including cash and cash equivalents)	262,142	374,286	502,389	629,958	363	37,017	9,559	31,099
— FVTPL — Held for trading (derivative financial assets)	—	—	—	1,774	—	—	—	1,774
	262,142	374,286	502,389	631,732	363	37,017	9,559	32,873
Financial liabilities								
— Liabilities measured at amortized cost	450,045	570,152	642,761	799,834	363	4,101	9,892	10,234
— FVTPL — Held for trading (derivative financial liabilities) . .	—	920	—	1,202	—	—	—	886
	450,045	571,072	642,761	801,036	363	4,101	9,892	11,120

(b) Financial risk management objectives and polices

The Group's and the Company's major financial instruments include trade and other receivables, trade and other payables, bank borrowings, derivative financial instruments, restricted bank balances and bank balances and cash. Details of these financial instruments are disclosed in respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group's overall strategy remains unchanged for the Track Record Periods.

(c) Market risk

The Group's and the Company's activities expose it primarily to the market risks including interest rate risk (see note 7 (c) (i) below), foreign currency risk (see note 7 (c) (ii) below) and commodity price risk (see note 7 (c) (iii) below).

There has been no change to the Group's and the Company's exposures to these market risks or the manner in which it manages and measures the risks for the Track Record Periods.

(i) Interest rate risk management

The Group's fair value interest rate risk relates primarily to its fixed-rate bank borrowings and pledged deposits. The Group and the Company are also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly restricted bank balances, bank balances and cash and bank borrowings which carried at prevailing market interest rates. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimize the fair value interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Company will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for interest bearing bank balances and variable-rate bank borrowings at the end of each reporting period and assumed that the amount of assets and liabilities outstanding at the end of each reporting period was outstanding for the whole year/period.

If interest rates on bank balances had been 5 basis points higher/lower, interest rates on variable-rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the potential effect on post-tax profit is as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Increase (decrease) in post-tax profit for the year/period . . .	(87)	(379)	(174)	(88)	—	—	1	3

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposures do not reflect the exposure during the year/period.

(ii) Foreign currency risk management

Foreign currency risk is the risk that the holding of foreign currency assets and liabilities will affect the Group's and the Company's position as a result of a change in foreign currency exchanges rates. Certain trade and other receivables, restricted bank balances, bank balances and cash, trade and other payables and bank borrowings of the Group and the Company are denominated in foreign currencies, details of which are set out in respective notes, expose the Group and the Company to foreign currency risk. The Group currently does not use any derivative contracts to hedge against its exposure to foreign currency risk. However the Group manages its foreign currency risk by closely monitoring the movement of the foreign currency rate.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of respective reporting period are as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS								
United States Dollars ("USD")	101,478	165,147	220,537	270,718	363	489	9,176	16,150
Taiwan Dollars ("TWD")	—	—	—	14,940	—	—	—	14,940
	101,478	165,147	220,537	285,658	363	489	9,176	31,090
LIABILITIES								
USD	138,479	138,886	97,579	212,584	363	90	5,614	10,234

The Group is mainly exposed to the currency of the USD.

The following table details the Group's sensitivity to a 10% increase and decrease in RMB against USD or TWD. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year/period end for a 10% change in foreign currency rates. The sensitivity analysis includes bank borrowings, trade and other payables, trade and other receivables and bank balances denominated in currencies other than functional currency of the relevant group entities.

A positive (negative) number below indicates an increase/(decrease) in post-tax profit where RMB strengthen 10% against USD or TWD for the year/period.

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
USD	3,567	(2,166)	(11,263)	(5,202)	—	(40)	(356)	(592)
TWD	—	—	—	(1,494)	—	—	—	(1,494)

For a 10% weakening of the RMB against USD or TWD, there would be an equal and opposite impact on the profit/loss, and the balances above would be negative.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposures do not reflect the exposure during the Track Record Periods.

(iii) Commodity price risk

The Group's commodity price risk is mainly the exposure to fluctuations in the prevailing market price of copper which are the major raw materials purchased by the Group and the details of which are set out in note 24.

The sensitivity analysis below has been determined based on the Group's exposure to copper price risks arising from derivative financial instruments outstanding at the end of each reporting period. It is based on the assumption that there would be a 5% change in copper forward contract prices with all other variables held constant.

If the copper forward purchase contract price had been 5% higher:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit would increase by	—	51	—	58	—	—	—	44

If the copper forward sale contract price had been 5% higher:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Post-tax profit would (decrease) by	—	—	—	(89)	—	—	—	(89)

If the copper forward contract price had been 5% lower, there would be an equal and opposite impact on the post-tax profit.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent commodity price risk as the year/period end exposures do not reflect the exposure during the Track Record Periods.

(d) Credit risk management

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 in relation to each class of recognized financial assets is the carrying amounts of those assets as stated in the respective consolidated statement of financial position.

In order to minimize the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the directors of the Company review the recoverability of each trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as the Group's trade receivables as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 of approximately RMB81,158,000, RMB94,937,000 and RMB102,238,000 and

RMB147,808,000 respectively, representing 45%, 42%, 35% and 36% of total trade receivables, respectively, were derived from five major customers. In order to minimize the credit risk, the directors of the Company continuously monitor the level of exposure to ensure that follow-up actions and/or corrective actions are taken promptly to lower exposure or even to recover the overdue debts. The Group has no significant concentration of credit risk on the remaining trade receivables, with exposure spread over a number of counterparties and customers.

The Group has concentration of credit risk on liquid funds which are deposited mainly with several banks in the PRC. However, the credit risk on bank balances is limited because the majority of the counterparties are banks with good reputation or banks with good credit rating assigned by international credit-rating agencies and with good reputation.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and continuously monitoring forecast and actual cash flows.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables include both interest and principal cash flows.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments is prepared based on the contractual maturities as the management considers that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000
The Group					
Non-derivative financial liabilities					
As at 31 December 2007					
Trade and other payables	—	199,327	110,550	309,877	309,877
Variable interest rate borrowings	6.95	12,568	8,036	20,604	20,086
Fixed interest rate borrowing	7.01	59,188	64,241	123,429	120,082
		271,083	182,827	453,910	450,045
As at 31 December 2008					
Trade and other payables	—	219,301	107,575	326,876	326,876
Variable interest rate borrowings	7.49	58,810	37,334	96,144	94,281
Fixed interest rate borrowing	5.98	86,452	65,945	152,397	148,995
		364,563	210,854	575,417	570,152
As at 31 December 2009					
Trade and other payables	—	194,554	94,768	289,322	289,322
Variable interest rate borrowings	4.57	6,217	40,326	46,543	45,264
Fixed interest rate borrowing	4.21	131,824	179,433	311,257	308,175
		332,595	314,527	647,122	642,761
As at 30 June 2010					
Trade and other payables	—	245,470	52,609	298,079	298,079
Variable interest rate borrowings	3.12	17,668	9,980	27,648	27,444
Fixed interest rate borrowing	4.53	216,988	264,858	481,846	474,311
		480,126	327,447	807,573	799,834

	Weighted average interest rate	Less than 3 months	3 months to 1 year	Total undiscounted cash flows	Carrying amounts
	%	RMB'000	RMB'000	RMB'000	RMB'000
The Group					
Derivative financial instruments					
As at 31 December 2007					
Commodity derivative contracts	—	—	—	—	—
As at 31 December 2008					
Commodity derivative contracts	—	920	—	920	920
As at 31 December 2009					
Commodity derivative contracts	—	—	—	—	—
As at 30 June 2010					
Commodity derivative contracts	—	1,202	—	1,202	1,202
The Company					
Non-derivative financial liabilities					
As at 31 December 2007					
Trade and other payables	—	363	—	363	363
As at 31 December 2008					
Trade and other payables	—	2,251	1,850	4,101	4,101
As at 31 December 2009					
Trade and other payables	—	2,829	7,063	9,892	9,892
As at 30 June 2010					
Trade and other payables	—	9,691	543	10,234	10,234
Derivative financial instruments					
As at 31 December 2007					
Commodity derivative contracts	—	—	—	—	—
As at 31 December 2008					
Commodity derivative contracts	—	—	—	—	—
As at 31 December 2009					
Commodity derivative contracts	—	—	—	—	—
As at 30 June 2010					
Commodity derivative contracts	—	886	—	886	886

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(f) Fair value of financial instruments

The fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. The fair value of derivative instruments is calculated using quoted prices.

Fair value measurements recognized in the consolidated statements of financial position

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The derivative financial assets with carrying values of approximately nil, nil, nil and RMB1,774,000 and the derivative financial liabilities with carrying values of approximately nil, RMB920,000, nil and RMB1,202,000 at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively, are Level 1 measurements.

There were no transfers between Level 1 and 2 during the Track Record Periods.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Financial Information approximate to their fair values at the end of each reporting period.

8. REVENUE AND SEGMENT INFORMATION

(a) Revenue

Revenue represents the net amounts received and receivable for sales of goods sold to customers during the Track Record Periods.

(b) Segment information

The Group's chief operating decision maker has been identified as the chief executive officer of the Company who reviews the business as the following reportable segments by products:

- External signal cable assembly
- Internal signal cable assembly
- Power cord assembly
- Wire and cable
- Connectors
- Other products

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

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

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

	External signal cable assembly	Internal signal cable assembly	Power cord assembly	Wire and cable	Connectors	Other products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2007							
Segment revenue	314,932	72,281	59,726	142,218	1,441	62,030	652,628
Segment results	72,916	12,850	10,865	28,228	117	10,369	135,345
Year ended 31 December 2008							
Segment revenue	427,241	83,941	115,284	173,446	23,086	75,001	897,999
Segment results	86,365	21,229	17,904	34,733	3,479	11,078	174,788
Year ended 31 December 2009							
Segment revenue	322,490	126,630	170,156	172,069	36,145	44,906	872,396
Segment results	74,229	32,308	31,769	46,056	9,871	3,741	197,974
Six months ended 30 June 2010							
Segment revenue	160,359	137,354	112,810	153,212	20,376	51,569	635,680
Segment results	36,603	38,039	19,862	30,165	6,242	13,063	143,974
Six months ended 30 June 2009 (Unaudited)							
Segment revenue	159,799	42,735	69,819	64,374	16,752	13,087	366,566
Segment results	37,245	12,093	12,830	15,976	3,462	1,195	82,801

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales during the Track Record Periods.

The segment results represent segment revenue less segment cost of sales determined on a standard cost basis, which represents the internally generated financial information regularly reviewed by the chief operating decision maker. However, the other gains and losses, distribution and selling expenses, administrative and general expenses, research and development expenses, finance costs and share of loss of an associate are not entirely allocated to each reportable segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Reportable segment results	135,345	174,788	197,974	82,801	143,974
Unallocated income and expenses:					
— Other gains and losses	10,821	(2,506)	8,273	1,620	(1,958)
— Distribution and selling expenses	(14,809)	(18,891)	(20,480)	(8,981)	(12,859)
— Administrative and general expenses	(30,915)	(45,422)	(47,978)	(22,282)	(29,039)
— Research and development expenses	(23,152)	(26,280)	(27,278)	(12,212)	(12,735)
— Finance costs	(9,117)	(15,625)	(13,924)	(6,746)	(8,929)
— Share of loss of an associate	(214)	—	—	—	—
Profit before taxation	67,959	66,064	96,587	34,200	78,454
Income tax expenses	(2,449)	(11,529)	(8,090)	(3,354)	(8,253)
Profit after taxation	65,510	54,535	88,497	30,846	70,201

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

ii. *Geographical information*

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

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

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue analyzed by:					
China, not including Hong Kong	474,877	636,776	643,096	257,430	508,117
Korea	138,168	136,849	115,827	72,472	105,238
Hong Kong	—	70,076	53,924	12,374	4,442
Other countries and areas	39,583	54,298	59,549	24,290	17,883
	652,628	897,999	872,396	366,566	635,680

iii. Information about major customers

The following table sets forth a breakdown of the Group's customers individually accounted for over 10% of the Group's total revenue during the Track Record Periods:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
— Customer A	165,179	176,188	145,147	65,966	82,393

9. OTHER GAINS AND LOSSES

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income	368	503	455	310	138
Government grants (note (a) below)	10,609	1,119	1,360	747	939
Losses on disposals of property, plant and equipment	(306)	(171)	(614)	(304)	(75)
Net foreign exchange gains (losses)	150	(1,421)	(457)	(239)	(1,208)
Gain on disposal of technology know-how (see note (b) below)	—	—	4,500	—	—
Changes in fair value of derivative financial instruments (see note 24)	—	(4,637)	3,029	1,106	(1,752)
Gain on disposal of Dongguan Electronic (see note 32)	—	3,311	—	—	—
Impairment loss in respect of interest in an associate (see note 21)	—	(1,210)	—	—	—
	10,821	(2,506)	8,273	1,620	(1,958)

Notes:

(a) The amounts represent non-recurring government subsidies received from the finance bureau of Weihai Economic and Technological Development Zone and committee of Shandong Linyi Economic and Technological Development Zone as incentives for business and technological development of the Group.

(b) During the year ended 31 December 2009, the Group disposed of its utility patent in respect of computer cable technology know-how to a third party for a consideration of RMB4,500,000.

10. FINANCE COSTS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest on borrowings wholly repayable within five years	9,889	18,812	14,019	6,841	8,964
Less: Amount capitalized in respect of cost of qualified assets	(772)	(3,187)	(95)	(95)	(35)
	9,117	15,625	13,924	6,746	8,929

The weighted average capitalization rate on funds borrowed generally was 5.98%, 9.11%, 6.13%, 6.13% and 5.16% during the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively.

11. PROFIT BEFORE TAXATION

Profit for the year/period has been arrived at after charging (crediting):

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Staff cost (including directors' emoluments)					
— Salaries and other benefits	58,084	65,054	69,647	44,640	68,534
— Retirement benefit scheme contributions	2,391	4,544	4,754	2,086	2,483
— Share-based payments (see note 31)	—	1,787	7,147	3,573	3,573
	60,475	71,385	81,548	50,299	74,590
Depreciation and amortization:					
— Property, plant and equipment	12,172	19,777	28,192	12,715	17,964
— Intangible assets (included in administrative and general expenses)	227	392	674	313	575
	12,399	20,169	28,866	13,028	18,539
Release of prepaid lease payments	132	360	360	180	161
Cost of inventories recognized as an expense (note)	517,283	723,211	674,422	283,765	491,706
Auditors' remuneration	11	1,062	3,726	1,658	1,082
Allowance for (reversal of) doubtful debts relating to:					
— trade receivables	—	3,176	347	431	536
— other receivables	272	1,460	(340)	—	(58)
	272	4,636	7	431	478

Note: Included in the cost of inventories recognized as an expense is an amount of approximately nil, RMB4,483,000, RMB1,334,000 and RMB137,000 and nil for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively related to the write-down of closing inventories.

12. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) *Directors' emoluments*

Details of the emoluments paid to the directors of the Company for the Track Record Periods are as follows:

	Year ended 31 December 2007				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	140	2	—	142
— Mr. Jiang Taike	—	74	2	—	76
— Mr. Li Jianming	—	87	2	—	89
— Mr. Tseng Chih-ming	—	—	—	—	—
— Mr. Sui Shikai	—	91	2	—	93
— Mr. Mao Wanjun	—	81	2	—	83
— Mr. Kang Jin Won	—	—	—	—	—
Non-executive directors:					
— Ms. Xu Yiming	—	25	—	—	25
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	498	10	—	508

	Year ended 31 December 2008				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	130	2	—	132
— Mr. Jiang Taike	—	71	2	—	73
— Mr. Li Jianming	—	104	2	48	154
— Mr. Tseng Chih-ming	—	—	—	—	—
— Mr. Sui Shikai	—	43	2	51	96
— Mr. Mao Wanjun	—	57	2	73	132
— Mr. Kang Jin Won	—	—	—	—	—
Non-executive directors:					
— Ms. Xu Yiming	—	35	—	—	35
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	440	10	172	622

	Year ended 31 December 2009				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	125	2	—	127
— Mr. Jiang Taike	—	160	2	—	162
— Mr. Li Jianming	—	92	2	191	285
— Mr. Tseng Chih-ming	—	44	—	—	44
— Mr. Sui Shikai	—	104	2	202	308
— Mr. Mao Wanjun	—	109	2	293	404
— Mr. Kang Jin Won	—	35	—	—	35
Non-executive directors:					
— Ms. Xu Yiming	—	107	—	—	107
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	776	10	686	1,472

	Six months ended 30 June 2009 (Unaudited)				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	62	1	—	63
— Mr. Jiang Taike	—	80	1	—	81
— Mr. Li Jianming	—	46	1	96	143
— Mr. Tseng Chih-ming	—	22	—	—	22
— Mr. Sui Shikai	—	52	1	101	154
— Mr. Mao Wanjun	—	54	1	146	201
— Mr. Kang Jin Won	—	17	—	—	17
Non-executive directors:					
— Ms. Xu Yiming	—	53	—	—	53
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	386	5	343	734

	Six months ended 30 June 2010				
	Director fees	Basic salaries and allowances	Retirement benefit scheme contributions	Share-based payments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
— Mr. Chi	—	91	2	—	93
— Mr. Jiang Taike	—	106	2	—	108
— Mr. Li Jianming	—	73	2	96	171
— Mr. Tseng Chih-ming	—	28	—	—	28
— Mr. Sui Shikai	—	76	2	101	179
— Mr. Mao Wanjun	—	82	2	146	230
— Mr. Kang Jin Won	—	109	—	—	109
Non-executive directors:					
— Ms. Xu Yiming	—	68	—	—	68
— Mr. Du Li	—	—	—	—	—
— Mr. Wu Kezhong	—	—	—	—	—
Independent non-executive directors:					
— Mr. Shu Wa Tung, Laurence	—	—	—	—	—
— Mr. Song Lizhong	—	—	—	—	—
— Ms. Zheng Lin	—	—	—	—	—
	—	633	10	343	986

During the Track Record Periods, no remuneration was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the Track Record Periods.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, 4, 3, 3 and 3 and 3 were directors of the Company for each of the years ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively, details of whose emoluments are included in the disclosures in (a) above.

The emoluments of the remaining individuals during the Track Record Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries and allowances	82	164	155	77	101
Retirement benefit scheme contributions	2	5	2	1	4
Share-based payments	—	114	454	227	227
	84	283	611	305	332

The emoluments of the five highest paid individuals, others than directors, during the Track Record Periods were within HK$1,000,000.

During the Track Record Periods, no remuneration was paid by the Group to the five individuals with the highest emoluments in the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX EXPENSES

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax					
— PRC Enterprise Income Tax ("EIT")	4,119	5,246	7,559	4,324	10,115
— Overprovision of EIT in prior years/periods	—	—	—	—	(2,267)
— Withholding tax paid	—	3,110	3,090	3,090	—
	4,119	8,356	10,649	7,414	7,848
Deferred tax: (note 19)					
— Current year/period	(217)	1,675	(2,559)	(4,060)	405
— Attributable to a change in tax rate	(1,453)	1,498	—	—	—
	(1,670)	3,173	(2,559)	(4,060)	405
	2,449	11,529	8,090	3,354	8,253

No provision for Hong Kong Profits Tax has been made as the Group did not have any assessable profit arising in Hong Kong during the Track Record Periods.

The applicable tax rates of the Company's PRC subsidiaries for the Track Record Periods are as follows:

	Notes	Year ended 31 December			Six months ended 30 June
		2007	2008	2009	2010
		%	%	%	%
Weihai Electronic	a	10.0	15.0	15.0	15.0
Weihai Cable	b	7.5	9.0	10.0	22.0
Changshu Electronic	c	33.0	—	—	12.5
Changshu Cable	d	—	—	12.5	12.5
Changshu Connecting-Technology	e	33.0	—	—	12.5
Dezhou Electronic	f	—	—	12.5	12.5
Wuhan Electronic	g	—	—	10.0	11.0
Dongguan Electronic	h	33.0	25.0	N/A	N/A
Changshu Huarui	i	N/A	N/A	25.0	25.0
Shenzhen Communication Technology	i	N/A	N/A	25.0	25.0

Notes:

(a) Weihai Electronic is a production-oriented foreign investment enterprise which was established in the economic and technological development zone in Weihai on 27 November 1997. The company is subject to a preferential tax rate of 15% before 1 January 2008. In 2007, the company was recognized as an advanced technological enterprise and was entitled to 50% reduction in EIT rate or at the tax rate of 10% whichever is higher. Hence, the tax rate applied to the company in 2007 was 10%.

On 16 March 2007, the National People's Congress promulgated the Law of the People's Republic of China on Enterprise Income Tax <<中華人民共和國企業所得稅法>> (the "Enterprise Income Tax Law") by order No. 63 of the President of the PRC which is effective from 1 January 2008. On 6 December 2007, the State Council issued Implementation Regulation of the Enterprise Income Tax Law (the "Implementation Regulation"). Pursuant to the Enterprise Income Tax Law and Implementation Regulation, a single income tax rate of 25% was imposed for both domestic and foreign-invested enterprises.

With the implementation of Enterprise Income Tax Law and Implementation Regulation from 2008, a statutory tax rate of 25% was imposed to the company. As Weihai Electronic was recognized as a high technology enterprise and the company was entitled to a preferential tax rate of 15% for the years 2008, 2009 and 2010.

(b) Weihai Cable is a production-oriented foreign investment enterprise which is located in the economic and technological development zone in Weihai. The company is subject to a preferential tax rate of 15% before 1 January 2008. While year 2005 was its first profit-making year and therefore, the company was entitled to EIT exemption for years 2005 and 2006, followed by a 50% reduction from 2007 to 2009. Its effective EIT rate for 2007 was half of 15%, i.e. 7.5%. Pursuant to the "Notice on the Implementation of the State Council's EIT Transitional Preferential Enterprise Income Tax Policies" (Caishui [2008] No. 21) issued by the Ministry of Finance and State Administration of Taxation (the "Circular 21"), as for the enterprises previously enjoying a 15% EIT rate, its applicable EIT rate would be 18%, 20% and 22% for years 2008, 2009 and 2010 respectively. Therefore, Weihai Cable was entitled to 50% reduction of EIT rates for the years 2008 and 2009, i.e. 9% and 10%, respectively. The applicable EIT rate for 2010 is 22%.

(c) Changshu Electronic is a production-oriented foreign investment enterprise and is entitled to enjoy the EIT preferential tax policy of "2-year exemption and 3-year 50% reduction" from its first profit-making year. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. Up to 31 December 2007, it had not yet made any tax profit. Pursuant to the "Notice of the State Council on the Implementation of Transitional Preferential Enterprise Income Tax Policies" (Guofa [2007] No. 39) issued by the Ministry of Finance and State Administration of Taxation (the "Circular 39"), from 1 January 2008, preferential tax policies enjoyed by certain enterprises, such as the "2-year exemption and 3-year 50% reduction" policy and the "5-year exemption and 5-year 50% reduction" policy, shall be continued until expiry. For enterprises that had not yet commenced enjoying such preferential policies due to their not-profit making status, their first tax profit-making year would be deemed to commence from year 2008. Therefore, Changshu Electronic was exempted from EIT in 2008 and 2009 and is entitled to a 50% reduction in EIT from 2010 to 2012 based on the statutory EIT rate of 25%, i.e. nil, nil and 12.5% for the years 2008, 2009 and 2010, respectively.

(d) Changshu Cable is a production-oriented foreign investment enterprise and is entitled to the EIT preferential tax policy of "2-year exemption and 3-year 50% reduction" from its first profit-making year. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. 2007 was its first profit-making year. Pursuant to the Circular 39, Changshu Cable was exempted from EIT in 2007 and 2008 and is entitled to EIT at a reduced rate of 12.5% from 2009 to 2011.

(e) Changshu Connecting-Technology is a production-oriented foreign investment enterprise and is entitled to enjoy the EIT preferential tax policy of "2-year exemption and 3- year 50% reduction" from its first profit-making year. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. Up to 31 December 2007, it had not yet made any tax profit. Pursuant to the Circular 39, the company was exempted from EIT in 2008 and 2009 and is entitled to EIT at a reduced rate of 12.5% from 2010 to 2012.

(f) Dezhou Electronic is a production-oriented foreign investment enterprise and is entitled to enjoy the EIT preferential tax policy of "2-year exemption and 3-year 50% reduction" from its first profit-making year. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. 2007 was its first profit-making year. Pursuant to the Circular 39, Dezhou Electronic was exempted from EIT in 2007 and 2008 and is entitled to a 50% reduction in EIT from 2009 to 2011 based on the statutory EIT rate of 25%, i.e. 12.5% for the years 2009 and 2010.

(g) Wuhan Electronic is a production-oriented foreign investment enterprise which was located in the economic and technological development zone in Wuhan. The company was subject to a preferential tax rate of 15% before 1 January 2008. It enjoyed the EIT preferential tax policy of "2- year exemption and 3-year 50% reduction" from its first profit-making year and was entitled to 15% preferential EIT rate before 1 January 2008. 2007 was its first profit-making year. Pursuant to Circular 39 and Circular 21, Wuhan Electronic was exempted from EIT in 2007 and 2008 and is entitled to a 50% reduction in EIT based on the preferential rate from 2009 to 2011, i.e. the applicable rates are 10%, 11% and 12.5% for years 2009, 2010 and 2011 respectively.

(h) Dongguan Electronic is a foreign investment enterprise which was established after the promulgation of the Enterprise Income Tax Law. Its applicable EIT rate was 33% and 25% respectively before and after 1 January 2008. It did not make any profit in 2007. In 2008, the company ceased to be a subsidiary of the Company.

(i) Changshu Huarui and Shenzhen Communication Technology are domestic enterprises newly established in 2009 and the companies are subject to EIT at 25%.

The tax charge for the Track Record Periods can be reconciled to the profit per the consolidated statements of comprehensive income as follows:

		Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before taxation		67,959	66,064	96,587	34,200	78,454
Tax at PRC EIT rate (2007: 33%; 2008, 2009 and 2010: 25%)	a	22,426	16,516	24,147	8,550	19,614
Overprovision for EIT in respect of prior years/periods		—	—	—	—	(2,267)
Attributable to a change in tax rate in respect of deferred tax (credit) charge for the year/period		(1,453)	1,498	—	—	—
Tax effect of tax losses not recognized	b	748	—	—	—	—
Tax effect of expenses that are not deductible for tax purpose		34	441	821	564	411
Effect of tax exemption and concessionary rates for the Group		(18,486)	(11,499)	(15,212)	(5,019)	(8,590)
Withholding tax on undistributed retained earnings of the Group's PRC subsidiaries to be distributed	c	—	3,090	—	—	—
Withholding tax paid on distribution of related earnings of the Group's PRC subsidiaries		—	3,110	—	—	—
Tax effect of concession deductions relating to research and development expenses		(710)	(1,122)	(1,285)	(655)	(915)
Effect of different tax rates for calculating deferred tax and current tax		(110)	(505)	(381)	(86)	—
		2,449	11,529	8,090	3,354	8,253

Notes:

(a) The PRC EIT rate of 33% for the year ended 31 December 2007 and 25% for the two years ended 31 December 2009 represent the statutory tax rate of which the Group's operations conducted substantially in the PRC throughout the Track Record Periods.

(b) The amount represented the unrecognized tax less in respect of Dongguan Electronic. The deferred tax asset has not yet been recognized as Dongguan Electronic has subsequently been disposed of during the year ended 31 December 2008 (see note 32).

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

At 31 December 2008, 31 December 2009 and 30 June 2010, the aggregate amount of temporary differences associated with the undistributed earnings of the PRC subsidiaries of nil, RMB52 million, and RMB117 million for which deferred tax liabilities have not been recognized. No liability has been recognized in respect of these temporary differences because the Group is in a position to control the timing of the reversal of the temporary differences and the Company, the shareholder of these PRC subsidiaries, has resolved that, other than those retained profits which were distributed during the three years ended 31 December 2010, the remaining profits from their operations for the three years ended 31 December 2010 will be retained and not be distributed. Therefore, it is probable that such differences will not reverse or subject to withholding income tax in the foreseeable future (see note 19).

14. DIVIDENDS

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividends paid in respect of the following companies:					
— Weihai Cable	279	—	—	—	—
— Weihai Electronic	—	24,000	—	—	—
	279	24,000	—	—	—
Dividends attributable to:					
— Owners of the Company	168	24,000	—	—	—
— Non-controlling interests	111	—	—	—	—
	279	24,000	—	—	—

No dividend has been paid or declared by the Company since its incorporation. The amounts represented the dividends paid by respective companies to their then shareholders prior to the Group Reorganization.

The rates of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful for the purpose of this report.

15. EARNING PER SHARE

The calculation of the basic earnings per share for each of the Track Record Periods is based on the profit attributable to owners of the Company for the Track Record Periods and on the weighted average of 474,593,655 shares, 484,687,143 shares, 523,260,002 shares, 523,260,002 shares and 525,387,184 shares in issue during the year ended 31 December 2007, 31 December 2008 and 31 December 2009 and the six months ended 30 June 2009 and 30 June 2010, respectively.

The weighted average number of shares for the purpose of calculating the basic earnings per share for the Track Record Periods has been determined as if the Group Reorganization had been effective on 1 January 2007 and the effect of the five-for-one Share Subdivision and the Capitalization Issue as set out in section IV of this report has been adjusted retrospectively.

There were no potential dilutive shares in existence during the Track Record Periods and therefore, no diluted earnings per share amounts have been presented.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and equipment	Motor vehicles	Equipment and other facilities	Construction in process	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group						
COST						
At 1 January 2007	37,473	61,931	3,380	6,498	17,233	126,515
Additions	5,110	28,860	2,127	9,104	51,142	96,343
Transfer	23,492	12,271	—	110	(35,873)	—
Disposals	—	(473)	(362)	(1,942)	—	(2,777)
At 31 December 2007	66,075	102,589	5,145	13,770	32,502	220,081
Additions	5,777	38,641	863	6,533	50,757	102,571
Transfer	18,036	7,038	—	985	(26,059)	—
Disposal of a subsidiary (see note 32)	(1,037)	(3,329)	(394)	(3,450)	—	(8,210)
Other disposals	—	(738)	(299)	(263)	—	(1,300)
At 31 December 2008	88,851	144,201	5,315	17,575	57,200	313,142
Additions	3,115	34,937	1,791	9,686	20,180	69,709
Transfer	67,122	8,453	—	1,006	(76,581)	—
Disposals	(62)	(1,127)	(223)	(670)	—	(2,082)
At 31 December 2009	159,026	186,464	6,883	27,597	799	380,769
Additions	251	17,125	1,895	6,363	22,700	48,334
Transfer	193	2,498	—	1,602	(4,293)	—
Disposals	(11,731)	(444)	(524)	(6,474)	—	(19,173)
As at 30 June 2010	147,739	205,643	8,254	29,088	19,206	409,930
DEPRECIATION						
At 1 January 2007	3,986	9,056	524	1,188	—	14,754
Provided for the year	2,171	7,992	739	1,270	—	12,172
Eliminated on disposals	—	(188)	(131)	(308)	—	(627)
At 31 December 2007	6,157	16,860	1,132	2,150	—	26,299
Provided for the year	3,560	12,634	923	2,660	—	19,777
Eliminated on disposal of a subsidiary	—	(176)	(52)	(387)	—	(615)
Eliminated on other disposals	—	(456)	(103)	(168)	—	(727)
At 31 December 2008	9,717	28,862	1,900	4,255	—	44,734
Provided for the year	6,905	14,723	1,067	5,497	—	28,192
Eliminated on disposals	(1)	(456)	(129)	(147)	—	(733)
At 31 December 2009	16,621	43,129	2,838	9,605	—	72,193
Provided for the period	3,339	9,193	649	4,783	—	17,964
Eliminated on disposals	(4,548)	(44)	(349)	(1,246)	—	(6,187)
As at 30 June 2010	15,412	52,278	3,138	13,142	—	83,970
CARRYING VALUES						
At 31 December 2007	59,918	85,729	4,013	11,620	32,502	193,782
At 31 December 2008	79,134	115,339	3,415	13,320	57,200	268,408
At 31 December 2009	142,405	143,335	4,045	17,992	799	308,576
As at 30 June 2010	132,327	153,365	5,116	15,946	19,206	325,960

The above items of property, plant and equipment, other than construction in progress, after taking into account of their estimated residual values, are depreciated on a straight-line basis at the following rate per annum:

Buildings	4.5%
Plant and equipment	9.0%
Electronic and other facilities	18.0% to 45.0%
Motor vehicles	18.0%

As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the Group has pledged its property, plant and equipment with a total carrying amount of approximately RMB75,581,000, RMB95,701,000, RMB186,520,000 and RMB151,335,000, respectively to secure for general banking facilities granted to the Group.

17. PREPAID LEASE PAYMENTS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Analyzed for reporting purposes as:				
— Non-current assets	17,264	16,904	16,544	26,568
— Current assets	360	360	360	565
	17,624	17,264	16,904	27,133

The amounts represent land use rights in respect of lands situated in the PRC and held under medium-term leases. Land use rights are released on a straight-line basis over the relevant terms of the land use rights certificate.

As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the Group has pledged its land use rights with a net book value of RMB17,624,000, RMB17,264,000, RMB16,904,000 and RMB14,045,000, respectively to banks to secure for banking facilities granted to the Group.

18. INTANGIBLE ASSETS

	Software	Trademarks	Licenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
COST				
At 1 January 2007	1,293	7	349	1,649
Additions	363	12	274	649
At 31 December 2007	1,656	19	623	2,298
Additions	714	76	1,794	2,584
Disposal of a subsidiary (see note 32)	—	—	(33)	(33)
At 31 December 2008	2,370	95	2,384	4,849
Additions	29	26	2,411	2,466
At 31 December 2009	2,399	121	4,795	7,315
Additions	1,500	13	1,872	3,385
As at 30 June 2010	3,899	134	6,667	10,700
AMORTIZATION				
At 1 January 2007	172	1	30	203
Charge for the year	201	1	25	227
At 31 December 2007	373	2	55	430
Charge for the year	240	5	147	392
Eliminated on disposal of a subsidiary (see note 32)	—	—	(2)	(2)
At 31 December 2008	613	7	200	820
Charge for the year	233	12	429	674
At 31 December 2009	846	19	629	1,494
Charge for the period	122	2	451	575
As at 30 June 2010	968	21	1,080	2,069
CARRYING VALUES				
At 31 December 2007	1,283	17	568	1,868
At 31 December 2008	1,757	88	2,184	4,029
At 31 December 2009	1,553	102	4,166	5,821
As at 30 June 2010	2,931	113	5,587	8,631

The above intangible assets have definite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Software	5 – 10 years
Trademarks	5 years
Licenses	5 – 10 years

19. DEFERRED TAXATION

The following are the Group's major deferred tax assets (liabilities) recognized and the movements thereon, during the Track Record Periods.

	Pre-operating expenses	Temporary difference relating to impairment loss of assets	Temporary difference on expenses recognition	Withholding tax on undistributed retained earnings (note 13)	Deductible tax losses carried forward	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (note below)	RMB'000
The Group						
At 1 January 2007	398	—	2,450	—	—	2,848
Credit to profit or loss	(4)	—	221	—	—	217
Attributable to a change in tax rate	(61)	—	1,514	—	—	1,453
At 31 December 2007	333	—	4,185	—	—	4,518
(Charge) credit to profit or loss	(4)	1,040	379	(3,090)	—	(1,675)
Attributable to a change in tax rate	—	—	(1,498)	—	—	(1,498)
At 31 December 2008	329	1,040	3,066	(3,090)	—	1,345
(Charge) credit to profit or loss	(87)	148	(693)	3,090	101	2,559
At 31 December 2009	242	1,188	2,373	—	101	3,904
(Charge) credit to profit or loss	(70)	(203)	(415)	—	283	(405)
As at 30 June 2010	172	985	1,958	—	384	3,499

Note: As at 31 December 2009 and 30 June 2010, the Group has unused tax losses amounting to RMB403,000 and RMB1,541,000 available for offset against future profits, which will expire in 2015. A deferred tax asset has been recognized in respect of RMB101,000 and RMB384,000 of such losses.

For the purpose of consolidated statements of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting presentation purposes:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Deferred tax assets	4,518	4,435	3,904	3,499
Deferred tax liabilities	—	(3,090)	—	—
	4,518	1,345	3,904	3,499

20. INVESTMENTS IN SUBSIDIARIES

	As at 31 December			As of 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Unlisted investments, at cost	—	200,135	268,828	268,828

21. INTEREST IN AN ASSOCIATE

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Unlisted investment, at cost	1,500	1,500	1,500	1,500
Share of post-acquisition results	(290)	(290)	(290)	(290)
	1,210	1,210	1,210	1,210
Less: Impairment loss recognized	—	(1,210)	(1,210)	(1,210)
	1,210	—	—	—

The amount represents the Group's interest of 30% equity interest in Changshu Yujin Packing Material Co., Ltd ("Yujin"), a company established in the PRC and is engaged in the manufacture and sales of packing material for mould. In 2008, Yujin ceased its business and operations and thus, the Group considered the recoverable amount of its interest in Yujin to be nil and recognized impairment loss of RMB1,210,000 in the consolidated statement of comprehensive income for the year ended 31 December 2008. Yujin was deregistered on 31 August 2010.

22. INVENTORIES

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Raw materials and consumables	40,587	25,914	34,046	76,978
Work in progress	23,667	12,060	20,015	32,415
Finished goods	74,862	77,335	61,533	75,913
	139,116	115,309	115,594	185,306

23. TRADE AND OTHER RECEIVABLES

		The Group				The Company			
		As at 31 December			At 30 June	As at 31 December			At 30 June
	NOTES	2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables . . .	a								
— Related parties . .	36 (b) (ii)	—	12,171	6,756	—	—	—	6,353	4,875
— Non-related parties		181,813	214,644	287,178	411,852	—	—	825	5,225
		181,813	226,815	293,934	411,852	—	—	7,178	10,100
Less: Allowances . . .		—	(3,176)	(3,124)	(3,660)	—	—	—	—
		181,813	223,639	290,810	408,192	—	—	7,178	10,100
Bills receivable	b	28,772	66,315	77,356	90,851	—	—	—	—
Advance to suppliers	c	6,193	8,840	21,943	34,180	—	—	—	—
Value added tax ("VAT") receivable		6,742	7,469	9,352	14,585	—	—	—	—
Consideration receivable in respect of disposal of Dongguan Electronic	d	—	17,319	10,000	10,000	—	—	—	—
Consideration receivables in respect of disposal of property, plant and equipments . .		1,190	21	—	—	—	—	—	—
Deposits and prepayments									
— Related parties . .	36 (b) (ii)	—	—	1,600	—	—	—	—	—
— Non-related parties		5,327	6,592	3,452	27,948	—	—	—	10,919
		5,327	6,592	5,052	27,948	—	—	—	10,919
Dividend receivable	e	—	—	—	—	—	34,999	—	—
Advances to third parties	f	—	4,437	2,300	3,182	—	—	—	—
Advances to staff . . .		1,599	1,553	—	2,003	—	—	—	—
Other receivables . . .	g								
— Related parties . .	36 (b) (iii)	2,394	2,319	6,476	—	—	—	—	—
— Non-related parties		7,297	294	232	1,514	—	1,909	6	6
		9,691	2,613	6,708	1,514	—	1,909	6	6
		241,327	338,798	423,521	592,455	—	36,908	7,184	21,025

Notes:

(a) Trade receivables

The Group's and the Company's trade receivables at the end of each reporting period comprise amounts receivable from the sales of goods during the Track Record Periods.

No interest is charged on the trade receivables.

Before accepting any new customer, the Group gathers and assesses the credit information of the potential customer in considering the customers' quality and determining the credit limits for that customer.

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

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	159,442	172,024	265,813	391,508	—	—	7,178	9,279
Over 3 months but within 6 months	22,207	49,826	24,418	16,674	—	—	—	821
Over 6 months but within 1 year	20	1,679	569	—	—	—	—	—
Over 1 year but within 2 years	144	110	10	10	—	—	—	—
	181,813	223,639	290,810	408,192	—	—	7,178	10,100

Aging of the Group's and the Company's trade receivables which are past due but not impaired are as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	7,863	448	1,854	6,074	—	—	—	—
Over 3 months but within 6 months	3,767	13,682	4,272	1,391	—	—	—	821
Over 6 months but within 1 year	20	1,679	496	—	—	—	—	—
Over 1 year but within 2 years	144	110	10	10	—	—	—	—
	11,794	15,919	6,632	7,475	—	—	—	821

Movements of the Group's and the Company's allowances for doubtful debts during the Track Record Periods are as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	—	—	3,176	3,124	—	—	—	—
Allowances for doubtful debts	—	3,176	979	582	—	—	—	—
Amount written off	—	—	(399)	—	—	—	—	—
Reversal of allowances for doubtful debts	—	—	(632)	(46)	—	—	—	—
At 31 December	—	3,176	3,124	3,660	—	—	—	—

Other than the above allowances for doubtful debts, the Group did not provide any allowance on the remaining past due receivables as, in the opinion of the directors of the Company, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience. The Group does not hold any collateral over these balances and these balances had been subsequently received.

Furthermore, in the opinion of the directors of the Company, there has not been a significant change in credit quality of the Group's trade receivables which are neither past due nor impaired and the amounts are still considered recoverable based on the historical experience.

The Group's and the Company's trade receivables denominated in currencies other than RMB, the functional currency of the relevant group companies, were as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
USD	96,438	154,335	194,473	217,242	—	—	7,178	10,100

At 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, trade receivables amounting to approximately RMB2,441,000, RMB8,793,000, nil and nil, respectively have been pledged to banks as the security in respect of the Group's bills payable.

(b) Bills receivable

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

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
Within 3 months	22,403	18,974	40,173	59,426	—	—	—	—
Over 3 months but within 6 months	6,369	47,341	37,183	31,425	—	—	—	—
	28,772	66,315	77,356	90,851	—	—	—	—

(c) Advance to suppliers

The Group's advance to suppliers represents deposits for purchase of raw materials.

(d) Consideration receivable in respect of disposal of Dongguan Electronic

The Group's consideration receivable in respect of disposal of Dongguan Electronic as at 31 December 2008 and 31 December 2009 represented the outstanding consideration receivable relating to the disposal of Dongguan Electronic (see note 32). According to the supplementary agreement to the equity transfer agreement, the remaining balance amounted to RMB10,000,000 will be fully received by 31 December 2010.

(e) Dividend receivable

The Company's dividend receivable as at 31 December 2008 represented dividend receivable from Weihai Electronic which was subsequently settled in 2009.

(f) Advances to third parties

The Group's advances to third parties are interest-free, unsecured and are repayable on demand.

(g) Other receivables

Out of the Group's non-related parties outstanding balance as at 31 December 2007, an amount of RMB3,149,000 represents a receivable from a third party relating to the sale of scrap materials for the year ended 31 December 2007 which has been settled during the year ended 31 December 2008.

The Group's and the Company's other receivables have been included the following allowances for doubtful debts during the Track Record Periods:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	—	272	1,732	223	—	—	—	—
Allowances for doubtful debts	272	1,460	—	—	—	—	—	—
Amount written off	—	—	(1,169)	—	—	—	—	—
Reversal of allowances for doubtful debts	—	—	(340)	(58)	—	—	—	—
At 31 December	272	1,732	223	165	—	—	—	—

Other than the above allowances for doubtful debts, the Group did not provide any allowance on the remaining other receivables as, in the opinion of the directors of the Company, there has not been a significant change in credit quality and the amounts are still considered recoverable based on the historical experience.

24. DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses commodity derivative contracts (standard copper forward contracts in Shanghai Futures Exchange and London Metal Exchange) to manage its exposure against copper price fluctuations. This arrangement is designated to address significant fluctuations in the price of copper concentrate and copper related products which move in line with the price of copper. However, this arrangement is not considered as an effective hedge and is not accounted for under hedge accounting according to the Group's accounting policies.

Details of the contract value and the related terms are summarized as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Commodity derivative purchase contracts:				
— Volume (tons)	—	50	—	1,000
— Executed contract value	—	2,149	—	46,519
— Fair value of derivative financial liabilities	—	920	—	1,202
Commodity derivative sale contracts:				
— Volume (tons)	—	—	—	700
— Executed contract value	—	—	—	30,945
— Fair value of derivative financial assets	—	—	—	1,774
Contract maturity date	N/A	January 2009	N/A	August to September 2010
The Company				
Commodity derivative purchase contracts:				
— Volume (tons)	—	—	—	850
— Executed contract value	—	—	—	38,436
— Fair value of derivative financial liabilities	—	—	—	886
Commodity derivative sale contracts:				
— Volume (tons)	—	—	—	700
— Executed contract value	—	—	—	30,945
— Fair value of derivative financial assets	—	—	—	1,774
Contract maturity date	N/A	N/A	N/A	August to September 2010

25. RESTRICTED BANK BALANCES

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Group								
Pledged bank deposits	19,272	34,976	41,471	24,106	—	—	—	—
Other bank balances (see note below)	—	—	—	14,940	—	—	—	14,940
	19,272	34,976	41,471	39,046	—	—	—	14,940

Note: As at 30 June 2010, the Group had bank balances of RMB14,940,000 (equivalent to TWD70,000,000) which had been deposited to a bank registered in Taiwan for capital verification in respect of the establishment of Honglin Technology and were not free to use prior to the completion of the capital verification. The capital verification and related company incorporation procedures for Honglin Technology was completed in July 2010.

Certain of the Group's and the Company's restricted bank balances are denominated in RMB, which is not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC.

The Group's pledged deposits carry fixed interest rates ranging from 3.33% to 3.78%, 1.71% to 2.25%, 1.98% to 2.25% and 0.36% to 2.25% per annum as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively.

As at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, the Group's bank deposits have been pledged to secure for the Group's short-term bank borrowings and bills payable as following:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pledged bank deposits for								
— Short-term bank borrowings	1,300	—	4,771	5,025	—	—	—	—
— Bills payable	17,972	34,976	36,700	19,081	—	—	—	—
	19,272	34,976	41,471	24,106	—	—	—	—

The Group's restricted bank balances denominated in currencies other than functional currency RMB of the relevant group companies were as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
USD	2,864	921	2,831	2,114	—	—	—	—
TWD	—	—	—	14,940	—	—	—	14,940
	2,864	921	2,831	17,054	—	—	—	14,940

26. BANK BALANCES AND CASH

The Group's and the Company's bank balances and cash comprise cash and short-term bank deposits with an original maturity of three months or less.

The bank balances carry market interest rates ranging from 0.72% to 1.15%, 0.05% to 0.36%, 0.15% to 0.36% and 0.1% to 0.36% per annum at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010, respectively.

The Group's and the Company's bank balances and cash denominated in currencies other than functional currency of the relevant group companies were as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
USD	2,176	9,482	23,233	51,362	363	80	1,998	6,050

The Group's and the Company's bank balances and cash denominated in RMB are not a freely convertible currency in the international market. The remittance of RMB out of the PRC is subject to exchange restrictions imposed by the Government of the PRC:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
RMB	17,629	13,931	50,511	23,808	—	29	377	3

27. TRADE AND OTHER PAYABLES

		The Group				The Company			
		As at 31 December			At 30 June	As at 31 December			At 30 June
	NOTES	2007	2008	2009	2010	2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	a								
— Related parties	36 (b) (ii)	5,558	1,222	242	—	—	—	4,590	9,691
— Non-related parties		133,408	110,007	135,882	181,008	—	—	—	—
		138,966	111,229	136,124	181,008	—	—	4,590	9,691
Bills payable	b	91,018	99,219	88,757	77,147	—	—	—	—
Receipts in advance from customers	c	1,591	56	1,068	116	—	—	—	—
Other tax payables		3,560	3,996	3,935	3,830	—	—	—	—
Payables for acquisition of property, plant and equipment									
— Related parties	36 (b) (ii)	—	—	388	—	—	—	—	—
— Non-related parties	d	20,319	17,579	12,241	20,588	—	—	—	—
		20,319	17,579	12,629	20,588	—	—	—	—
Payables for acquisition of prepayment lease payments		3,550	—	—	—	—	—	—	—
Payrolls and staff cost payables	e	28,316	25,080	10,989	17,086	—			
Accrued expenses		5,572	4,413	7,682	9,318	—	—	—	1,082
Advances from staff . . .		14,540	300	—	—	—	—	—	—
Advances from third parties	f	4,500	4,500	—	—	—	—	—	—
Other payables	g								
— Related parties	36 (b) (iii)	4,887	65,612	34,604	—	363	1,940	3,262	—
— Non-related parties		3,781	3,357	6,219	2,250	—	2,161	2,040	543
		8,668	68,969	40,823	2,250	363	4,101	5,302	543
		320,600	335,341	302,007	311,343	363	4,101	9,892	11,316

Notes:

(a) Trade payables

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

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

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	128,800	57,214	127,173	158,348	—	—	4,590	9,691
Over 3 months but within 1 year	10,153	53,485	8,402	21,994	—	—	—	—
Over 1 year but within 2 years	13	530	549	666	—	—	—	—
	138,966	111,229	136,124	181,008	—	—	4,590	9,691

The Group's and the Company's trade payables denominated in currencies other than functional currency of the relevant group companies were as follows:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Currency:								
USD	64,512	40,898	38,851	36,478	—	—	4,590	9,691

(b) Bills payable

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

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Within 3 months	41,173	200	47,098	44,131
Over 3 months but within 6 months	49,845	99,019	41,659	33,016
	91,018	99,219	88,757	77,147

(c) Receipts in advance from customers

The Group's receipts in advance from customers represent deposits for supply of goods to customers.

(d) Payables for acquisition of property, plant and equipment — non-related parties

Included in the balance as at 31 December 2009 and 30 June 2010 was an amount of RMB6.8 million and RMB6.1 million, respectively payable to an independent third party contractor in respect of the construction of the Group's factories and dormitory buildings in Weihai.

(e) ***Payrolls and staff cost payables***

Out of the Group's outstanding balances, an amount of RMB14,896,000 and RMB14,896,000, representing accrual payroll costs as at 31 December 2007 and 31 December 2008, respectively were settled during the year ended 31 December 2009 in respect of the Employee Share Scheme (see note 31).

(f) ***Advances from third parties***

The Group's advances from third parties are interest-free, unsecured and are repayable on demand.

(g) ***Other payables — related parties***

As at 31 December 2008 and 31 December 2009, the Group had an amount of RMB25,120,000 payable to Chenlin International in respect of the Group's Employee Share Scheme (see note 31). It was settled during the six months ended 30 June 2010.

28. BANK BORROWINGS

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Bank borrowings, due within one year:				
— Secured	108,515	199,429	240,833	186,569
— Unsecured	31,653	43,847	112,606	315,186
	140,168	243,276	353,439	501,755
The exposure of bank borrowings:				
— Fixed interest rate borrowings	120,082	148,995	308,175	474,311
— Variable interest rate borrowings	20,086	94,281	45,264	27,444
	140,168	243,276	353,439	501,755

The Group's bank borrowings denominated in currencies other than RMB, the functional currency of the relevant group companies, were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Currency:				
USD	73,604	62,340	57,704	175,563

The range of effective interest rates (which are also equal to contracted interest rates) of the Group's bank borrowings are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
The Group				
Effective interest rates:				
Fixed interest rate borrowings	3.60% – 10.50% per annum	2.40% – 11.67% per annum	0.43% – 6.12% per annum	0.30% – 5.84% per annum
Variable interest rate borrowings	6.53% – 7.71% per annum	4.60% – 11.29% per annum	1.35% – 5.31% per annum	1.2% – 4.70% per annum

29. PAID-IN CAPITAL/SHARE CAPITAL

The details of the Company's share capital as at 31 December 2007, 31 December 2008, 31 December 2009 and 30 June 2010 are as follows:

	Number of shares	Share capital
		US$'000
Ordinary shares		
Authorized		
On the date of incorporation, as at 31 December 2007, 2008 and 2009 and 30 June 2010 (US$0.10 each)	500,000,000	50,000

	Notes	Number of shares	Share capital	
			US$'000	RMB'000
Issued and fully paid				
On the date of incorporation	a	100	—	—
At 31 December 2007		100	—	—
Issue of shares on 15 September 2008	b (i)	52,500,000	5,250	35,820
Issue of shares on 17 September 2008	b (ii)	3,500,000	350	2,390
Issue of shares on 19 September 2008	b (i)	28,510,323	2,851	19,452
Issue of shares on 8 November 2008	c	4,807,067	481	3,281
At 31 December 2008 and 31 December 2009		89,317,490	8,932	60,943
Issue of shares on 8 June 2010	d	2,857,422	286	1,951
At 30 June 2010		92,174,912	9,218	62,894

The movements in the Company's authorized and issued share capital during the period from 16 November 2007 (date of incorporation) to 31 December 2009 are as follows:

(a) The Company was incorporated on 16 November 2007 with an authorized share capital of US$50,000,000 divided into 500,000,000 ordinary shares of US$0.10 each. Upon incorporation, 100 ordinary shares of US$0.10 each (the "Subscribe Shares") were issued and allotted, credited as fully paid, to Chenlin International and Hongxin Joint Stock Company Limited ("Hongxin Joint Stock").

(b) Pursuant to the Group Reorganization:

i On 15 September 2008, the Company issued and allotted 52,500,000 ordinary shares of US$0.10 each, credited as fully paid, to Chenlin International for the acquisition of 100% equity interest in Weihai Electronic from Chenlin Trading. On 19 September 2008, the Company issued and allotted 28,510,323 ordinary shares of US$0.10 each, credited as fully paid, to Chenlin International for the acquisition of the remaining equity interest in the companies comprising the Weihai Electronic Group held directly by Chenlin Trading.

ii On 17 September 2008, the Company issued and allotted 3,500,000 ordinary shares of US$0.10 each, credited as fully paid, to Chenlin International for a consideration of US$700,000 (equivalent to approximately RMB4,778,000) to acquire the non-controlling interests in Weihai Cable, Changshu Cable and Changshu Connecting-Technology.

(c) On 8 November 2008, the Company issued and allotted 4,807,067 ordinary shares of US$0.10 each, credited as fully paid, to SCGC Capital Holding Company Limited

("SCGC Capital") for a consideration of US$5,000,000 (equivalent to approximately RMB34,129,000) to provide for additional working capital to the Company.

(d) On 8 June 2010, the Company issued and allotted 2,857,422 ordinary shares of US$0.10 each, credited as fully paid, to Samford Management Limited for a consideration of US$5,000,000 (equivalent to approximately RMB34,140,000) to provide for additional working capital to the Company.

For the purpose of the preparation of the consolidated statement of financial position, the balance of the paid-in capital/share capital at 31 December 2007 represents the registered capital relating to the Weihai Electronic Group which was previously held by Chenlin Trading.

30. RESERVES

The movements of the Company's reserves during the period from 16 November 2007 to 30 June 2010 are as follow:

	Share premium	Capital reserve	Retained profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000
The Company				
Issue of shares to owners of the Company	2,388	—	—	2,388
Issue of shares upon Group Reorganization	—	106,712	—	106,712
Issuance of shares to SCGC Capital (see note 29)	30,848	—	—	30,848
Profit and total comprehensive income for the period from 16 November 2007 to 31 December 2008	—	—	29,050	29,050
At 31 December 2008	33,236	106,712	29,050	168,998
Profit and total comprehensive income for the year	—	—	32,354	32,354
At 31 December 2009	33,236	106,712	61,404	201,352
Issue of shares on 8 June 2010	32,189	—	—	32,189
Loss and total comprehensive expenses for the period	—	—	(1,833)	(1,833)
At 30 June 2010	65,425	106,712	59,571	231,708

31. EMPLOYEE SHARE SCHEME

On 30 September 2008, an employees' share scheme (the "Employee Share Scheme") was adopted by the Company, Mr. Chi and Chenlin International. Pursuant to the Employee Share Scheme, on 8 October 2008, Chenlin International transferred a total of 6,280,000 ordinary shares of the Company (the "Employee Shares") to Hongxin Joint Stock in respect of 137 employees of the Group, including certain directors of the Company, namely Mr. Li Jianming, Mr. Mao Wanjun and Mr. Sui Shikai, (the "Employee Shareholders") in recognition of their contributions to the growth of the Group at a consideration of RMB6.37 each, of which RMB2.37 each was paid for by each of the Employee Shareholders with their own funds and RMB4.00 each was paid for by Weihai Electronic and Weihai Cable, respectively, as bonus and subsidy to Employee Shareholders.

Hongxin Joint Stock holds the Employee Shares in trust for the Employee Shareholders pursuant to a trust deed dated 28 May 2010 (the "Trust Deed").

The Employee Share Scheme and Trust Deed imposed certain restrictions on the Employee Shares and the details are summarized in the paragraphs headed "Employee Shares" under section III "Further Information about Directors, Management and Staff" in Appendix VI "Statutory and General Information" to the Prospectus.

Details of the movements of the Employee Shares awarded and the outstanding balances at the end of each reporting period are as follows:

Designated service periods	Number of shares granted on 30 September 2008, and the outstanding balances at 31 December 2008 and 31 December 2009	Granted during the period	Forfeited during the period	Outstanding balances at 30 June 2010
		(Note)	(Note)	
Directors				
— October 2008 to June 2012	594,785	10,113	—	604,898
Employees				
— October 2008 to September 2013	5,685,215	—	(10,113)	5,675,102

Note: During the six months ended 30 June 2010, an employee resigned and his Employee Shares entitlement was transferred to a director of the Company.

The estimated fair value of the Employee Shares at the date of grant is RMB42,187,000, or approximately RMB6.72 each. The payment of RMB4.00 each (RMB25,120,000 in total) made by Weihai Electronic and Weihai Cable as bonus and subsidy to Employees Shareholders has been charged to "share awards reserve" in equity during the year ended 31 December 2008 and settled in 2010.

The difference between the fair value of RMB6.72 each and RMB2.37 each which was paid for by each of the Employee Shareholders, amounting to approximately RMB27,303,000, would be charged to the consolidated statements of comprehensive income on a straight-line basis over the service periods of the Employees Shareholders.

The following assumptions were used to calculate the fair value of the Employee Shares of RMB6.72:

— Weighted average cost of capital	20%
— Terminal growth rate	3%
— Lack of marketability discount	24%

The discounted cash flow approach has been used to estimate the fair value of the Employee Shares. The Black-Scholes Option Pricing Model has been used to estimate the lack of marketability discount. The variables and assumptions used in computing the fair value of the Employee Shares are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the Employee Shares.

The Group recognized share-based payments of nil, RMB1,787,000, RMB7,147,000, RMB3,573,000 and RMB3,573,000 for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively, in relation to the Employee Shares.

32. DISPOSAL OF A SUBSIDIARY

Pursuant to an agreement amongst the Company, Weihai Electronic, United Metal and Yu Shun Rong dated 24 October 2008, the Group disposed of its entire equity interest in Dongguan Electronic to United Metal and Yu Shung Rong (Shenzhen) for a total consideration of

US$3,000,000 (equivalent to approximately RMB22,096,000) (the "Dongguan Electronic Disposal").

The net assets of Dongguan Electronic at the date of disposal were as follows:

	RMB'000
Property, plant and equipment	7,595
Intangible assets	31
Inventories	16,550
Trade and other receivables	14,564
Bank balances and cash	414
Trade and other payables	(20,369)
Net assets	18,785
Gain on disposal of Dongguan Electronic (see note 9)	3,311
Total consideration	22,096

Net cash inflow in respect of Dongguan Electronic Disposal:

	RMB'000
Net cash consideration received during the year ended 31 December 2008:	
— Cash consideration received	4,777
— Bank balances and cash disposed of	(414)
Net Cash consideration received during the year ended 31 December 2008	4,363
Cash consideration received during the year ended 31 December 2009	7,319
Consideration receivable as at 31 December 2009 and 30 June 2010	10,000

During the year ended 31 December 2008, Dongguan Electronic contributed approximately RMB27,110,000 and a loss of RMB1,632,000 to the Group's revenue and profit for the year respectively. During the year ended 31 December 2008, Dongguan Electronic contributed approximately RMB1,628,000 to the Group's net operating cash flows, paid approximately RMB2,046,000 in respect of investing activities and paid approximately RMB418,000 in respect of financing activities.

33. OPERATING LEASES

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
The Group as lessee					
Minimum lease payments paid under operating leases during the year/period	2,320	2,902	708	370	798

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	2,203	510	480	15
Over one year but within two years, inclusive	383	68	100	650
	2,586	578	580	665

Operating lease payments represent rentals payable by the Group for the Group's plant, warehouse and office premise. Leases are negotiated for lease terms ranging from one to two years at inception.

34. CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following outstanding capital commitments:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
The Group				
Capital expenditure in respect of acquisition of property, plant and equipment:				
— contracted for but not provided in the Financial Information	39,776	13,665	2,207	12,992
— authorized but not contracted for	12,960	5,192	1,365	86,661
	52,736	18,857	3,572	99,653

35. RETIREMENT BENEFIT SCHEMES

The employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during each year/period over the Track Record Periods are disclosed in note 11.

36. RELATED PARTY TRANSACTIONS

(a) Related parties of the Company:

The directors of the Company consider that the following entities are related parties of the Group:

Name of related party	Relationship with the Company
Mr. Chi	The director of the Company
Mr. Chi Zhongmin	The brother of Mr. Chi
Mr. Tseng Chih-ming	The director of the Company
Mr. Kang Jin Won	The director of the Company
Mr. Jiang Taike	The director of the Company
Ms. Yang Fuwei	The spouse of Mr. Chi and the director of Subsidiaries
Ms. Chen Ying	The spouse of Mr. Jiang Taike
Ms. Cheng Guanghua	The director of a subsidiary
Ms. Yang Huahua	The director of a subsidiary
Chenlin International	Immediate holding company
Chenlin Trading	An entity controlled by Mr. Chi
威海裕順榮塑膠有限公司 (Weihai Yushunrong Plastics Co., Ltd.#, "Weihai Yushunrong")	An entity controlled by Mr. Chi Zhongmin
威海大榮合成材料有限公司 (Weihai Darong Compound Material Co., Ltd.#, "Weihai Darong")	An entity controlled by Mr. Chi Zhongmin
深圳光華鑫塑膠五金有限公司 (Shenzhen Guanghuaxin Plastic and Hardware Co., Ltd. #, "Shenzhen Guanghuaxin") (see note (a) below)	An entity controlled by Ms. Yang Huahua
吳江市同裏鎮華鋭精密電子有限公司 (Wujiangshi Tongli Town Huarui Precision Electronics Co., Ltd. #, "Wujiangshi Huarui") (see note (b) below)	An entity controlled by Mr. Cheng Guanghua
連雲港中振精密電子有限公司 (Lianyungang Zhongzhen Precision Electronics Co., Ltd#, "Lianyungang Zhongzhen")	An entity controlled by Mr. Kang Jin Won

The English names are for identification purpose only.

Notes:

(a) With effective from 5 November 2009, Ms. Yang Huahua became a director of Shenzhen Communication and her directly controlled company of Shenzhen Guanghuaxin became a related party of the Group. Accordingly, the Group did not disclose the transactions between the Group and Shenzhen Guanghuaxin prior to 5 November 2009.

(b) With effective from 18 April 2009, Mr. Cheng Guanghua became a director of Changshu Huarui and his directly controlled company of Wujiangshi Huarui became a related party of the Group. Accordingly, the Group did not disclose the transactions between the Group and Wujiangshi Huarui prior to 18 April 2009.

(b) Significant related party transactions

i The Group has significant transactions with the following related parties during the Track Record Periods:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
The Group					
Sales of goods to:					
— Chenlin Trading	—	32,493	18,239	10,296	—
— Shenzhen Guanghuaxin	—	—	22	—	—
	—	32,493	18,261	10,296	—
Purchase of raw materials from:					
— Weihai Yushunrong	2,415	2,922	3,809	1,637	2,026
	2,415	2,922	3,809	1,637	2,026
Purchase of property, plant and equipment from:					
— Wujiangshi Huarui	—	—	7,888	7,502	—
— Shenzhen Guanghuaxin	—	—	—	—	272
— Lianyungang Zhongzhen	—	—	—	—	1,200
	—	—	7,888	7,502	1,472
Sales of property, plant and equipment and prepaid lease payments to:					
— Weihai Darong	—	—	—	—	5,170

The directors of the Company represented that the above transactions will not continue after the Listing.

In the opinion of the directors of the Company, the above transactions were conducted on normal commercial terms and are in the ordinary and usual course of the Company's business.

ii The Group and the Company have significant trade balances with the following related parties as at the end of each reporting period:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables:								
— Chenlin Trading	—	12,171	6,730	—	—	—	—	—
— Shenzhen Guanghuaxin	—	—	26	—	—	—	—	—
— Changshu Electronic	—	—	—	—	—	—	214	92
— Weihai Electronic	—	—	—	—	—	—	5,634	2,985
— Dezhou Electronic	—	—	—	—	—	—	505	1,798
	—	12,171	6,756	—	—	—	6,353	4,875
Deposits paid to:								
— Mr. Tseng Chih-ming	—	—	1,600	—	—	—	—	—
Trade payables:								
— Weihai Yushunrong	5,558	1,222	242	—	—	—	—	—
— Weihai Cable	—	—	—	—	—	—	3,529	
— Dezhou Electronic	—	—	—	—	—	—	—	1,231
— Changshu Huarui	—	—	—	—	—	—	—	1,776
— Changshu Connecting-Technology	—	—	—	—	—	—	1,061	6,684
	5,558	1,222	242	—	—	—	4,590	9,691
Payables for acquisition of property, plant and equipment:								
— Wujiangshi Huarui	—	—	388	—	—	—	—	—

The directors of the Company represented that the above balances are interest-free, unsecured and are repayable in accordance with the credit terms agreed with the related companies.

iii The Group and the Company has significant non-trade balances with the following related parties as at the end of each reporting period:

	The Group				The Company			
	As at 31 December			At 30 June	As at 31 December			At 30 June
	2007	2008	2009	2010	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables:								
— Chenlin Trading	2,283	—	—	—	—	—	—	—
— Chenlin International	—	—	4,884	—	—	—	—	—
— Weihai Yushunrong	—	2,080	—	—	—	—	—	—
— Shenzhen Guanghuaxin	—	—	1,590	—	—	—	—	—
— Mr. Chi	111	239	—	—	—	—	—	—
— Ms Yang Fuwei	—	—	2	—	—	—	—	—
	2,394	2,319	6,476	—	—	—	—	—
Other payables:								
— Chenlin Trading	1,461	90	—	—	—	90	—	—
— Chenlin International	363	62,299	30,004	—	363	—	3,262	—
— Mr. Chi	1,423	3,223	—	—	—	1,850	—	—
— Mr. Chi Zhongmin	240	—	—	—	—	—	—	—
— Ms Yang Fuwei	240	—	—	—	—	—	—	—
— Ms. Chen Ying	1,160	—	—	—	—	—	—	—
— Mr. Cheng Guanghua	—	—	4,600	—	—	—	—	—
	4,887	65,612	34,604	—	363	1,940	3,262	—

Note: The directors of the Company represented that the above balances were interest-free, unsecured and were repayable on demand. The amounts were fully settled during the six months ended 30 June 2010.

The maximum amounts of the amounts due from a director of the Company outstanding during each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 are RMB111,000, RMB239,000, RMB239,000 and nil respectively.

(c) Compensation of key management personnel:

The remuneration of directors and other members of key management during the Track Record Periods were as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
The Group					
Salaries and other benefits	668	695	1,188	633	1,109
Contributions to retirement benefits schemes	13	21	21	10	33
Share-based payments	—	187	1,331	666	634
	681	903	2,540	1,309	1,776

II. ULTIMATE HOLDING COMPANY

In the opinion of the directors, the Company's ultimate holding company is Chenlin International, a company incorporated in the British Virgin Islands.

III. DIRECTORS EMOLUMENTS

Saved as disclosed in note 12 to Section I of this report, no other remuneration has been paid or is payable by the Company or any of its subsidiaries to the Company's directors in respect of the Track Record Periods.

Under the arrangement currently in force, the aggregate amount of the directors' fees and emoluments for the year ending 31 December 2010 is estimated to be approximately RMB1.80 million.

IV. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 30 June 2010:

(1) The Company established two wholly owned subsidiaries as follows:

(i) On 21 July 2010, Honglin Technology was incorporated in Taiwan as a limited liability company which was engaged in research and development work on antennas and connectors used in mobiles handsets, notebooks, GPRS systems and network communications (including routers and network cards) and also in sales and marketing of the Group's products to overseas customers.

(ii) On 27 August 2010, Chongqing Technology was established in Chongqing, the PRC, as a limited liability company which was engaged in the production of LVDZ type of notebook internal signal cable assembly and power cord assembly.

(2) Pursuant to the written resolutions of all shareholders entitled to vote at general meetings of the Company, which were passed on 25 October 2010, the following changes in the authorized and issued share capital of the Company took place:

(i) Subdivision of shares (the "Share Subdivision")

On 25 October 2010, each ordinary share of US$0.10 in the authorized and issued share capital of the Company was subdivided into five ordinary shares of US$0.02 each such that its resultant authorized share capital was US$50,000,000 divided into 2,500,000,000 ordinary shares of US$0.02 each and its resultant issued share capital was approximately US$9,218,000 divided into 460,874,560 ordinary shares of US$0.02 each.

(ii) Capitalization issue (the "Capitalization Issue")

Subsequent to the Share Subdivision, an amount of approximately US$1,583,000 standing to the credit of the share premium account of the Company was capitalized and applied to pay up in full at par a total of 79,125,440 new shares for allotment and issue to the shareholders of the Company whose names appeared on the register of members of the Company on 25 October 2010.

Details of the above are set out in the paragraph headed "Resolutions of our Shareholders" in Appendix VI "Statutory and General Information" to the Prospectus.

V. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements of the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to 30 June 2010.

Yours faithfully,

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong