RISK FACTORS

RISKS RELATED TO OUR COMPANY

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

Since the second half of 2008, the global financial system has experienced significant difficulties and disruptions, leading to reduced liquidity, greater volatility, widened credit spreads and a lack of price transparency in the global credit and financial markets. The difficulties in global credit and financial markets have also resulted in a widening global economic crisis. There are indications that the current financial and economic downturn may persist or worsen. The slowdown experienced in the economies of the United States, the European Union and certain Asian countries adversely affected the capital expenditures of the network providers in different countries, which the Directors believe has consequentially affected the demand of our products. For example, one of our customers, Reliance, has significantly delayed or decreased its order with us in 2008 and 2009 while another customer, Nortel Network, filed for protection from creditors under Chapter 11 of the United States Bankruptcy Code on January 14, 2009, both of which have resulted in a decline in our overseas sales. The decrease and slowdown in demand for mobile communication infrastructure equipment resulted from the global financial and economic crisis has put significant downward pressure on prices of antenna system and base station RF subsystem products, which are our major source of sales revenues. There can be no assurance as to when the market for our products will recover and that we will not suffer a significant further downturn.

While various governments have announced efforts to increase liquidity in the financial markets and stimulus packages to slow or reverse the economic downturn, there can be no assurance that these measures will be successful. If the global economy continues to grow at a slower rate than expected, or experiences a recession, growth in demand for the mobile communication infrastructure products will also continue to slow down or decrease. As a result, our business, financial condition and results of operations would continue to be adversely affected. Our business model is very sensitive to the spending cycle of the communication network providers, and without a recovery in consumer usage, downward pressure on prices and demand for our products will persist.

We rely upon a few customers for the majority of our revenues and the loss of any one of these customers, or a significant loss, reduction or rescheduling of orders from any of these customers, could have a material adverse effect on our business, results of operations and financial condition.

We sell most of our products to a small number of customers with whom we have not entered into any long-term contracts, and we expect that this will continue. The following table sets forth our revenue attributable to sales to our major customers in absolute terms and as a percentage of our revenue for the periods specified:

	For the Year Ended December 31,						For the Eight Months Ended August 31,			
	2006		2007		2008		2008		2009	
	RMB	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*	*RMB*	*%*
							(unaudited)			
	(in millions, except percentages)									
PRC Domestic										
ZTE	166.8	46.2%	248.5	39.6%	237.3	35.4%	120.9	28.4%	231.9	36.7%
China Unicom	36.4	10.1%	18.3	2.9%	34.3	5.1%	6.3	1.5%	148.0	23.4%
China Mobile	40.0	11.1%	40.1	6.4%	37.1	5.5%	19.6	4.6%	56.9	9.0%
China Telecom	19.7	5.5%	9.9	1.6%	10.2	1.5%	0.6	0.1%	53.3	8.4%
Nokia(1) (China)	26.4	7.3%	46.8	7.5%	58.1	8.7%	47.8	11.2%	49.2	7.8%
Nortel Networks	—	—	1.3	0.2%	48.9	7.3%	46.0	10.8%	14.5	2.3%
NEC	0.3	0.1%	8.3	1.3%	18.8	2.8%	7.0	1.6%	13.8	2.2%
Lucent(2) (China)	0.7	0.2%	—	—	6.2	0.9%	2.6	0.6%	7.4	1.2%
China Netcom	0.6	0.2%	1.5	0.2%	0.5	0.1%	—	—	—	—
UTStarcom	19.7	5.5%	6.5	1.0%	1.4	0.2%	1.0	0.2%	—	—
Others	8.7	2.2%	12.1	2.1%	13.5	2.0%	9.3	2.2%	6.1	0.9%
Overseas										
Nokia(1) (overseas)	25.5	7.1%	112.5	17.9%	102.7	15.3%	87.5	20.5%	41.2	6.5%
ITI (India)	13.9	3.9%	3.7	0.6%	1.8	0.3%	0.4	0.1%	4.6	0.7%
Nortel Networks (overseas)	—	—	3.3	0.5%	14.4	2.1%	11.0	2.6%	1.4	0.2%
Lucent(2) (overseas)	—	—	—	—	1.2	0.2%	0.8	0.2%	1.0	0.2%
Reliance (India)	—	—	107.4	17.1%	77.5	11.5%	59.7	14.0%	—	—
Others	2.3	0.6%	6.6	1.1%	7.3	1.1%	5.9	1.4%	3.1	0.5%
Total	361.0	100.0%	626.8	100.0%	671.2	100.0%	426.4	100.0%	632.4	100.0%

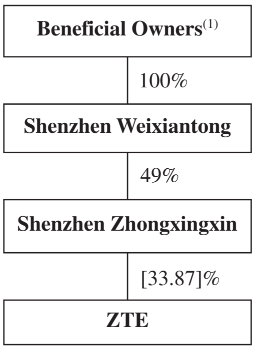
Notes:

(1) The figures represent sales to Nokia Siemens Networks after Nokia's merger with Siemens in early 2007.

(2) The figures represent sales to Alcatel-Lucent after Lucent's merger with Alcatel in 2006.

We depend on the continued purchases of our products by a small number of our customers, and any fluctuations in demand from such customers or other customers could negatively impact our results of operations. If we are unable to broaden our customer base and expand relationships with major network solution providers and major network operators, our business may continue to be impacted by unanticipated demand fluctuations due to our dependence on a small number of customers.

Further, certain of our Directors and Beneficial Owners also have an indirect interest in ZTE. The following diagram illustrates the shareholding structure of ZTE with respect to certain of our Directors and Beneficial Owners as of the Latest Practicable Date:



Note:

(1) Each of the Beneficial Owners holds the same percentage of shareholding interest in Fangyi Holdings and Shenzhen Weixiantong.

- Our non-executive Director, Qu Deqian, has been one of ZTE's five supervisors since 2005. Qu Deqian was, during the period from June 2003 to January 2007, a director of Shenzhen Kanquan Electromechanical Company, a group company of ZTE, and has since March 2002 been a supervisor of Shenzhen Guoxin Electronic Development Co., Ltd., which is owned by ZTE as to 90% and by ZTE Kangxun Telecom Company, Limited as to 10%.

- Zhou Susu, the spouse of Hu Xiang, has been the senior vice president of ZTE between 1999 and 2008 and currently a director of ZTE's wholly-owned subsidiary, ZTE (H.K.) Limited.

- [As of the Latest Practicable Date, the Beneficial Owners had an indirect equity interest of approximately [16.6]% in ZTE through their shareholdings in Shenzhen Weixiantong. Shenzhen Weixiantong owns 49% shareholding interest in Shenzhen Zhongxingxin, which in turn had approximately [33.87]% shareholding interest in ZTE as of the Latest Practicable Date.]

- Our Directors, Hu Xiang, Xing Qibin and Qu Deqian, are members of the Beneficial Owners and together held approximately 5.60% shareholding interests in Shenzhen Weixiantong as of the Latest Practicable Date. Therefore Hu Xiang, Xing Qibin and Qu Deqian have indirect shareholding interests in ZTE through their shareholding interests in Shenzhen Weixiantong.

- The direct and indirect equity interests of the Beneficial Owners in ZTE are minimal and diverse and do not render ZTE a connected person of our Group for the purpose of the Listing Rules. See "Our Relationship with Certain Customers and Suppliers — Our Relationship with Certain Customers" for further details regarding our relationship with ZTE.

Unanticipated demand fluctuations can have a negative impact on our revenues and business, and an adverse effect on our results of operations and financial condition. In addition, our dependence on a small number of major customers exposes us to numerous other risks, including:

- a slowdown or delay in deployment of wireless networks by any one customer could significantly reduce demand for our products;

- reductions in a single customer's forecasts and demand could result in excess inventories;
- consolidation of customers can reduce demand as well as increase pricing pressure on our products due to increased purchasing leverage;
- each of our customers has significant bargaining leverage over us to require changes in sales terms including pricing, payment terms and product delivery schedules;
- a customer could compete with us directly should it decide to increase its level of internal design and manufacturing capability of wireless communication network products;
- loss of a single customer's business could result in a significant loss of revenue; and
- we face significant credit risk as a result of the significant concentration of our accounts receivable, which could have a material adverse effect on our liquidity and financial condition if one of our major customers declared bankruptcy or delayed payment of our accounts receivables.

We generally do not enter into long-term contracts with our customers.

Consistent with common practice in the markets in which we operate, and due to factors such as fluctuations in price, supply and demand in the wireless communication network infrastructure industry as well as our customers' need for flexibility in volume, types of products and price terms, we generally do not enter into long-term contracts with our customers. As we do not enter into long-term contracts with our customers, there can be no assurance that we will maintain or increase our sales to our customers at current levels or at all. Any loss to competitors of a significant portion of our current sales to any of our major customers could have a material adverse effect on our business, financial condition and results of operations.

Failure by the wireless telecommunication sector in China to maintain its current pace of growth could materially and adversely affect our profitability and future prospects.

We generated most of our revenue from sales of antenna systems and RF devices in China. The continued growth of the PRC wireless communication industry is essential to our business growth prospects and future success. If the development of the wireless communication industry in China slows or our customers' expenditures on antenna systems and RF devices decrease, the market demand for our antennas and RF devices could be negatively affected. Similarly, our profitability and future prospects for our business could be materially and adversely affected if the PRC government or other relevant regulatory authorities are not able to allow construction of new wireless communication networks, or terminate, delay or suspend construction or extension of new or existing wireless communication networks.

If we cannot continue to rapidly develop, manufacture and market innovative products and services that meet customer requirements for performance and reliability, we may lose market share and our revenues may suffer.

The process of developing new wireless communications network infrastructure products and services is complex and uncertain, and failure to anticipate customers' changing needs and emerging technological trends accurately and to develop or obtain appropriate intellectual property could significantly harm our results of operations. We must make long-term investments and commit significant resources before knowing whether our investments will eventually result in products that the market will accept. After a product is developed, we must be able to manufacture sufficient volumes quickly and at low cost. To accomplish this, we must accurately forecast volumes, product mix and configurations that meet customer requirements, which we may not be able to do successfully. Further, rapid technology advancement in the wireless communication industry could render our products or inventories obsolete and result in material write-downs in our inventory. For example, PHS protocol is becoming outmoded due to limited bandwidth and coverage area compared to other protocols developed under the 3G standard.

RISK FACTORS

For the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, our research and development expenditures were RMB15.2 million, RMB24.9 million, RMB34.6 million and RMB21.3 million, respectively, representing 4.2%, 4.0%, 5.1% and 3.4% of our revenue during the periods, respectively.

Our efforts target the research and development of new products in each of our product groups. For example, we have developed new products to support a number of 3G transmission protocols, including China's new 3G protocol, TD-SCDMA, and other emerging network technologies, such as WiMax. Our research and development efforts also target ways to increase the manufacturing efficiency of our existing products, reduce the cost to our customers, and increase our profitability. The technological sophistication and innovative ideas of our research and development personnel have enabled us to obtain [122] registered patents and file [38] pending patent applications with the Patent Office of the SIPO, PRC as of the Latest Practicable Date.

Among the factors that make the transition from current products to new products difficult are delays in product development or manufacturing, variations in product costs, and variations in customer demand for a new product. Our revenues and gross margins may suffer if we cannot make such a transition effectively; and they may also be negatively affected by the timing of product or service introductions by our suppliers and competitors. This is especially challenging when a product has a short life cycle or a competitor introduces a new product just before our own product introduction. Furthermore, sales of our new products may replace sales of some of our current products, offsetting the benefit of even a successful product introduction. If we incur delays in new product introductions, or do not accurately estimate the market effects of new product introductions, future demand for our products and our revenues may be seriously harmed due to the competitive nature of our industry.

If we lose our ability to design customized products and solutions to meet our customers' requirements, our reputation and relationships with our customers may be damaged and we may incur significant warranty costs or other liabilities, any of which may materially and adversely affect our revenue growth.

Our products and solutions are designed with significant investment of time and expertise to employ complex technology so that not only industry and government standards but also customers' specifications can be adequately addressed. If we are unable to continue to meet these standards and specifications, we may be disqualified by our customers to continue to provide our products and solutions. If we are unable to maintain the quality and design standards of our RF products and solutions, our reputation and relationships with existing and prospective customers may be damaged, which could have a material and adverse effect on our revenue growth, the prices we charge for our products and solutions and our profitability.

Sales of our RF products and solutions may decrease as a result of our failure to develop commercially successful or viable RF products and solutions.

The wireless communications network infrastructure equipment market is characterized by frequent improvements in RF products and solutions as a result of rapid technological change, evolving industry standards and transmission protocols and intense competition. In order to remain competitive, we must continually improve our current RF products and solutions and develop and introduce new or enhanced products with competitive functionality, performance, quality and price to adequately satisfy our customers' requirements. We plan to continue to invest considerable time and resources to enhance and develop new RF technology, including the development of more advanced 3G products. However, we cannot provide assurance that our past success in developing RF products will result in successful development of new or enhanced RF products that are commercially viable. As 3G technology is new and evolving, we cannot provide any assurance that our research and development efforts will yield RF products that are readily deployable in 3G networks or that our customers will be satisfied with the performance of our 3G products. Under those circumstances, we will be unable to realize the economic benefits of our research and development efforts, we may not be able to serve our customers' 3G needs, and our customers may not wish to continue to purchase our RF products and solutions.

We are subject to risks related to product defects that could result in product recalls and could subject us to warranty claims that are greater than anticipated. If we were to experience a product recall or an increase in warranty claims that exceed our forecast, our sales and operating results could be adversely affected.

We test our products through a variety of means before shipment. We typically also provide a one to two year warranty for free repair or replacement of any defective products. Certain customers may also separately negotiate with us for longer warranty periods. Product warranty costs are recognized as expenses in the consolidated income statement in the period in which they are incurred. As product warranty costs had not been significant during 2006, 2007, 2008 and the eight months ended August 31, 2009, we did not make any provision for product warranties during 2006, 2007, 2008 and the eight months ended August 31, 2009. There can be no assurance that our testing will reveal all latent defects in our products, which may not become apparent until after the products have been sold into the market. Accordingly, while we have not had any product recall or third party claim for any damage or loss sustained arising from defective products during 2006, 2007, 2008 and the eight months ended August 31, 2009, there is a risk that product defects may occur, which could require a product recall. Product recalls can be expensive to implement and, if a product recall occurs during the product's warranty period, we may be required to replace the defective product. In addition, a product recall may damage our reputation and relationship with our customers, and we may lose market share with our customers.

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

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

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

We rely on third-party suppliers to meet our raw material requirements. During the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, purchases from our five largest raw material suppliers together accounted for approximately 37.2%, 33.0%, 31.3% and 26.8% of our total purchases of raw materials, respectively, while the largest raw material supplier accounted for approximately 22.0%, 17.8%, 10.4% and 7.9% of our total purchases of raw materials, respectively. If any of our major suppliers is unable to deliver raw materials in the time required for production, and we fail to meet our raw material requirements with purchases from other suppliers in a timely and cost-effective manner, our provision of wireless communication network RF equipment and coverage extension solutions to our customers could be delayed. In addition, we may be required to purchase RF components or modules in the market at higher prices to meet our production deadlines if the delivery of raw materials is delayed. Our relationships with our customers could be adversely affected as a result of any such delays or cost increases, which may materially and adversely affect our business operations.

Our suppliers, contract manufacturers or customers could become competitors.

Many of our customers have the capability to internally design and/or manufacture their own wireless communications network products. These customers also continually evaluate whether to manufacture their own wireless communications network RF equipment or utilize contract manufacturers to produce their own internal designs. In the event that our customers manufacture or design their own wireless communications network RF equipment, such customers could reduce or eliminate their purchases of our products, which would result in reduced revenues and would adversely impact our results of operations and liquidity. Wireless network solution providers with internal manufacturing capabilities, including many of our customers, could also sell wireless communications network RF equipment externally to other manufacturers, thereby competing directly with us. In addition, our suppliers or contract manufacturers may decide to produce competing products directly for our customers and, effectively, compete against us. If, for any reason, our customers produce their wireless communications network RF equipment internally, increase the percentage of their internal production, require us to participate in joint venture manufacturing with them, engage our suppliers or contract manufacturers to manufacture competing products, or otherwise compete directly against us, our revenues could decrease, which would adversely impact our results of operations.

A substantial portion of our sales is made outside the PRC. Conducting business in international markets involves risks and uncertainties such as foreign exchange rate exposure and political and economic instability that could lead to reduced international sales and reduced profitability associated with such sales.

A significant portion of our sales is made outside the PRC. Our overseas sales principally consist of our direct sales to overseas networks operators (such as Reliance in India) and overseas factories or inventory hubs of global network solution providers (such as Nokia Siemens Networks headquartered in Finland). We also sell to distributors in Vietnam and Indonesia. For the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, our overseas sales were approximately RMB41.7 million, RMB233.5 million, RMB204.9 million and RMB51.3 million, respectively. We anticipate that international sales will continue to represent a substantial portion of our total sales and that continued growth and profitability will require further international expansion. Identifiable foreign exchange rate exposures result primarily from currency fluctuations, accounts receivable from customer sales and the anticipated purchase of products from third party suppliers. International business risks also include political and economic instability, tariffs and other trade barriers, longer customer payment cycles, burdensome taxes, restrictions on the repatriation of earnings, expropriation or requirements of local or shared ownership, compliance with local laws and regulations, terrorist attacks, developing legal systems, reduced protection of intellectual property rights in some countries, cultural and language differences, difficulties in managing and staffing operations and difficulties in maintaining good employee relations. We believe that international risks and uncertainties could lead to reduced international sales and reduced profitability associated with such sales, which would reduce our overall sales and profits.

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

Our results fluctuate from period to period due to a number of factors, including:

- network operators' decisions and timing on development of network infrastructure;
- the lack of any obligation by our customers to purchase their forecasted demand for our products;
- variations in the timing, cancellation, or rescheduling of customer orders and shipments;

- high fixed expenses that increase operating expenses, especially during a period with a sales shortfall;
- product failures and associated warranty and other additional costs; and
- discounts given to certain customers for large volume purchases.

Our major customers generally have no obligation to purchase forecasted amounts and may cancel orders, change delivery schedules or change the mix of products ordered with minimal notice and without penalty. As a result, we may not be able to accurately predict our quarterly sales. Because our expense levels are partially based on our expectations of future sales, our expenses may be disproportionately large relative to our revenues, and we may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Any shortfall in sales relative to our quarterly expectations or any delay of customer orders would adversely affect our revenues and results of operations.

Order deferrals and cancellations by our customers, declining average sales prices, changes in the mix of products sold, delays in the introduction of new products and longer than anticipated sales cycles for our products have, in the past, adversely affected our results of operations. Despite these factors, we, along with our contract manufacturers, maintain significant finished goods, work-in-progress and raw materials inventory to meet estimated order forecasts. If our customers purchase less than their forecasted orders or cancel or delay existing purchase orders, there will be higher levels of inventory that face a greater risk of obsolescence. If our customers desire to purchase products in excess of the forecasted amounts or in a different product mix, there may not be enough inventory or manufacturing capacity to fill their orders.

Due to these and other factors, we have experienced significant fluctuations in sales and operating results from period to period, which fluctuations have not been seasonal. Our past results are not reliable indicators of our future performance. Future revenues and operating results may not meet the expectations of public market analysts or investors. In either case, the price of our ordinary shares could be materially adversely affected.

The initial vendor qualification cycle associated with the sales of our products is typically lengthy, often lasting from six months to a year, which could cause delays in forecasted sales and cause us to incur substantial expenses before we record any associated revenues.

Our customers normally conduct significant technical evaluations and qualifications of our products before making purchase commitments. We believe this qualification process involves a significant investment of time and resources from both our customers and us in order to ensure that our product designs are fully qualified to perform as required. The qualification and evaluation process may take longer than initially forecasted, thereby delaying the shipment of sales forecasted for a specific customer for a particular quarter and causing our operating results for the quarter to be less than originally forecasted. Such a sales shortfall could reduce our profitability and negatively impact our results of operations.

Our key managerial and technical personnel are critical to the success of our business and if we fail to attract or retain such personnel we may compromise our ability to maintain strong relationships with customers and suppliers, develop new products and effectively carry on our research and development and other efforts.

We largely depend on the efforts and abilities of our Directors and senior management, particularly Hu Xiang, Wang Guoying, Shao Zhiguo and Andrew Y. Yan, and other senior technical staff for our future growth and success, due to the years of industry experience and technical knowledge they bring to us. Hu Xiang, Wang Guoying, Shao Zhiguo and Andrew Y. Yan comprise the group of individuals serving on the board of directors or in senior management of each member of our Group during 2006, 2007, 2008 and the eight months ended August 31, 2009 and up to the time of Listing. They constitute the core management group responsible for the results of our Group during

during 2006, 2007, 2008 and the eight months ended August 31, 2009. Certain of our Directors and Beneficial Owners also maintain certain relationship with certain of our customers and suppliers. See "Our Relationship with Certain Customers and Suppliers". We are also substantially dependent on qualified technical, marketing and engineering personnel with a thorough understanding of local conditions. We also rely on our research and development engineers with advanced degrees or senior engineer certificates for the operation of our research and development function and manufacturing facilities. The technological sophistication and innovative ideas of our research and development personnels have enabled us to obtain [122] registered patents and file [38] pending patent applications in the PRC as of the Latest Practicable Date. Our employment agreements with these individuals have an initial term of one year subject to a right of termination under specified circumstances, such as a material breach of their contractual obligations. Our future growth and success may be compromised if we are unable to attract or retain qualified senior management. Similarly, the loss of senior technical staff may result in the deterioration of the quality of our wireless network coverage solutions and our ability to develop and produce our products. If we lose the services of our key management or any other senior technicians or engineers, our operations will be negatively affected.

The wireless coverage industry in China has experienced a high level of employee mobility. Competition for experienced RF technology experts is intense. In 2006, 2007, 2008, and the eight months ended August 31, 2009, the turnover rate of our research and development engineers was approximately 9.2%, 8.8%, 6.4% and 6.3%, respectively, calculated as the number of our research and development engineers departed during the period divided by the number of our research and development engineers departed during the period together with the total number of research and development engineers at the end of the period. Few senior-level research and development or technical personnel are available for hire and the costs of hiring and retaining such individuals are relatively high. We also believe that in order to continue to be successful, we must strengthen our ability to attract and retain senior, experienced and qualified managerial and technical personnel. We cannot assure the investors that such personnel will remain with us once hired.

The selling prices of our earlier products have decreased over time, and we anticipate that the selling prices for our existing products may decrease over time. If we cannot supplement our product portfolio with new products that have higher selling prices or lower the production costs of our products, our gross margin will decline.

Wireless network operators are continuing to place pricing pressure on wireless infrastructure builders, including wireless network solution providers and coverage extension solution providers, which in turn, has resulted in lower selling prices for our existing products, with certain competitors aggressively reducing prices in an effort to increase their market share. In addition, the consolidation of wireless network solution providers, such as the consolidation of Alcatel and Lucent and of Nokia and Siemens, has concentrated the purchasing power at fewer surviving entities, which is placing further pricing pressures on the products we sell to such customers. We may be forced to further reduce our prices to such customers, which would have a negative impact on our business and results of operations. We believe that the selling prices of our existing products will continue to decline for the foreseeable future. Since wireless infrastructure builders frequently negotiate supply arrangements far in advance of delivery dates, we must often commit to price reductions for our products before we know how, or if, we can obtain such cost reductions. With ongoing consolidation in our industry, the increased size of many of our customers allows them to exert greater pressure on us to reduce prices. In addition, the selling prices of our products are affected by price discounts negotiated without firm orders for large volume purchases by certain customers. To offset the declining selling prices of our existing products, we must reduce manufacturing costs and ultimately develop new products with higher selling prices. If we cannot achieve such cost reductions or increases our average selling prices, our gross margins will decline.

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

We recorded a significant amount of trade and note receivables at each balance sheet date during 2006, 2007, 2008 and the eight months ended August 31, 2009. As of December 31, 2006, 2007, 2008 and August 31, 2009, our trade and note receivables amounted to approximately RMB199.5 million, RMB264.4 million, RMB347.8 million and RMB500.4 million respectively, representing approximately 66.0 %, 48.3%, 52.8 % and 54.6% of our total current assets as at the respective balance dates. For details on the aged analysis of trade receivables, please refer to the accountants' report set out in Appendix I to this Web Proof Information Pack. As of October 31, 2009, approximately RMB151.3 million of the RMB312.7 million trade receivables outstanding as of August 31, 2009 had been settled.

In the event of any further delays or any material portion of such trade note receivables becomes bad debts and cannot be collected by us, our operations and financial condition may be adversely affected.

The non-transferrability of the property right in one of the properties we own may undermine our ownership interest.

Property numbered one, as set out in the Property Valuation Report, is our principal place of business in the PRC, which is being used for manufacturing, office, research and development purposes. The aggregate gross floor area of this property is approximately 16,411.98 sq. m., and no commercial value has been assigned to this property as of September 30, 2009. As advised by our legal advisers as to PRC laws, the land use rights and the building ownership rights of this property cannot be transferred or leased and cannot be pledged as security without pre-approval from Shenzhen Land Bureau. In the event that Shenzhen Land Bureau withholds its approval on the pledge of this property, our ability to pledge this property as security for financing purpose will be restricted, and our ownership interest will be undermined.

Our operations may be disrupted due to our landlords' lack of the relevant title certificates as to certain leased properties

As of the Latest Practicable Date, we leased a total of eleven properties in the PRC, five of which were for manufacturing use (namely properties numbered 4, 9, 12, 13 and 14 of the Property Valuation Report), six were used as dormitories (namely properties numbered 5, 6, 7, 8, 10 and 11 of the Property Valuation Report). We have been advised by our legal advisers as to PRC laws that (a) the respective landlords of seven of such leased properties (namely properties numbered 4, 5, 6, 7, 8, 9 and 10 of the Property Valuation Report) have not yet obtained the relevant building ownership certificates or provided construction project planning permits or other proof of ownership to our Group, (b) two of the seven leased properties that lack both building ownership certificates or other proof of ownership are used by us as factories (namely properties numbered 4 and 9 of the Property Valuation Report) and the other five are used as dormitories (namely properties numbered 5, 6, 7, 8 and 10 of the Property Valuation Report), and (c) among the seven leased properties, five tenancy agreements with respect to properties numbered 5, 6, 7, 8 and 10 of the Property Valuation Report have not been registered or filed with the relevant housing authorities in the PRC. Accordingly, our legal advisers as to PRC laws are unable to confirm if these landlords have the lawful right to lease the relevant properties to us. The lack of the relevant building ownership certificates or other proof of ownership, may, however, result in the invalidity of the respective tenancy agreements and us not being able to defend our leasehold interests against any third party who subsequently enforce their rights to the properties with support from the PRC courts or relevant government authorities. Furthermore, as advised by our legal advisers as to PRC laws, we may be exposed to payment to the relevant PRC housing authorities of a fine not exceeding RMB294,004, which is equal to 10% of total rental amount in the event that it has been determined as our fault in causing the non-registration of the relevant lease agreements.

Two of the seven leased properties for manufacturing use (namely properties numbered 4 and 9 in the Property Valuation Report) are without building ownership certificates or other proof of ownership from the landlords. These two leased properties have a total gross floor area of approximately 14,970 square meters, representing approximately 16.2% of the total gross floor area used for production by us. These two leased properties will be relocated and combined to a new centralized premise by the end of 2009. For details, please refer to the section headed "Real Property — recent lease renewals and relocation of our manufacturing facilities."

In the event that we need to relocate any leased premises as a result of our landlords' lack of the relevant title certificates, our Directors consider that we will be able to relocate our dormitories and factories to alternative premises without incurring significant costs and time; nor will such relocation disrupt our operation. Our Directors also consider that any relocation of our manufacturing premises can be completed within a reasonable period of time and without significant disruption of our operation or incurrence of additional costs. In the event of any delay in our relocation of manufacturing premises beyond a reasonable period of time, our operation may be disrupted and our profitability may be materially and adversely affected.

Our lack of comprehensive intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or to defend against third-party allegations of infringement may be costly.

While we have [122] registered patents and [38] pending patent applications with the Patent Office of the SIPO as of the Latest Practicable Date, we have not obtained any intellectual property rights outside of the PRC. We continue to rely significantly on trade secret protections and employee and third party confidentiality agreements to safeguard our intellectual property. Because only limited protection is afforded under these protections and agreements, we may not be able to take adequate actions to protect our intellectual property rights. Third parties may infringe or misappropriate our proprietary technologies or other intellectual property rights and cause a material and adverse effect on our business, financial condition or operating results. It could be difficult and expensive to police unauthorized use of proprietary technology. Our ability to protect our intellectual property may be compromized in the event that any of our management members or employees in possession of our confidential proprietary information leaves us. Also, we may be required to litigate in order to protect our trade secrets or determine the validity and scope of the proprietary rights of others. We cannot assure you that the outcome of such potential litigation will be in our favor. Litigation may be costly and may divert management attention and other resources away from our business. An adverse determination in any such litigation against us will impair our intellectual property rights and may harm our business, prospects and reputation. In addition, we would have to bear all costs arising from such litigation if we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

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

Our success also depends largely on our ability to use and develop our technology and know how without infringing the intellectual property rights of third parties. The validity and scope of claims relating to RF technology patents involve complex scientific, legal and factual questions and analysis and, therefore, may be highly uncertain. We may also be subject to litigation involving claims of violation of intellectual property rights of third parties, even in situations where we have not in fact infringed on a third party's intellectual property. The defense and prosecution of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and time consuming and may significantly divert the efforts and resources of our technical and management personnel. If adversely determined against us in any such litigation or proceedings, we could be subject to significant liability to third parties. As a result, we may be required to seek licenses from third parties, to pay ongoing royalties and to redesign our RF products. We could also be subject to injunctions prohibiting the manufacture and sale of our RF products or the use of our technologies. Protracted litigation could also result in our customers or potential customers deferring or limiting their purchase or use of our RF products until resolution of such litigation.

The registration of our logo as a trademark in Hong Kong has not yet been approved.

We submitted an application to the Trade Marks Registry of the Intellectual Property Department of Hong Kong for registration of our logo as appear on the cover of this Web Proof Information Pack as a trademark on November 10, 2009. As of the Latest Practicable Date, the registration of such logo as a trademark has not yet been approved. There is no assurance that the use of the logo by us in this Web Proof Information Pack will not infringe the intellectual property rights of any third party or in breach of the laws of Hong Kong. Any liability claim in relation to the use of the logo made or threatened to be made against us in the future, regardless of its merits, could result in litigation and put strain on our administrative and financial resources.

We generally do not carry product liability insurance for our RF products and solutions, and any significant product liability claim could have a material and adverse effect on our financial condition.

We generally do not carry product liability insurance for our RF products and solutions, any business interruption insurance, any third-party liability insurance for personal injuries or any environmental damage insurance for environmental emissions or accidents on our properties or relating to our operations. Therefore, any product liability claims against us in relation to our RF products and solutions, or any major interruptions of our operations or third-party claims could have a material and adverse effect on our financial condition.

RISKS RELATED TO OUR INDUSTRY

Failure of commercialization of 3G services, particularly TD-SCDMA technology in China or globally could materially and adversely affect our profitability and future prospects.

Significant capital investment by PRC telecommunication operators, including investments in wireless coverage solutions will be required to complete the deployment of 3G networks in China. We expect our products that are related to the 3G standard to command higher gross profit margins than our products that are related to the 2G standard. However, we cannot assure you that the 3G services will be adopted by the consumers in mass. In particular, TD-SCDMA technology is currently adopted by only one network operator, China Mobile. Failure of commercialization of 3G services, particularly TD-SCDMA technology in China or globally, could materially and adversely affect our profitability and future prospects.

The telecommunications industry has experienced significant consolidation and this trend is expected to continue. Any disruption in our direct business relationship with any of our major customers as a result of market consolidation will adversely affect our sales and profitability.

Consolidation in the telecommunications industry could result in delays in purchasing decisions by merged companies or in us playing a decreased role in the supply of products to the merged companies. Delays or reductions in wireless communications network infrastructure spending could have a material adverse effect on demand for our products. We depend on several large wireless network solution providers and network operators for a significant portion of our business. Recent examples of the consolidation includes China Telecom's acquisition of the CDMA network from China Unicom, through a series of transactions starting from June 2, 2008, China Netcom's merger with and into China Unicom on October 6, 2008 and Nortel Network's filing for protection from creditors under Chapter 11 of the United States Bankruptcy Code on January 14, 2009. We have had to adjust our sales tactics following each of these events as our customers changed their purchase method, preference or the specifications of the products they desire. Any disruption in our relationships with our major customers could adversely affect our sales, operating margins, net income and stock price.

The competitive bidding process in the telecommunication infrastructure industry can result in our revenues fluctuating significantly from period to period.

Contracts with the network operators in China and many regions overseas are awarded through a competitive bidding process. PRC domestic network operators generally award a larger amount of the contracts to providers that submitted the most favorable bids. We submit bids to sell our products directly to PRC domestic network operators for deployment into the networks they are constructing. Wireless network solution providers, such as our customers ZTE and Nokia Siemens Networks, also incorporate our products into their wireless coverage solutions, such as their proprietary base stations, in the bids they submit to the network operators. Other than through the bidding process, we have limited bargaining power with the network operators, as selections are made based on objective criteria and we have a number of competitors in China. If we or any one or more of our major customers failed to submit a competitive bid, it can have a negative impact on our revenues until the next bidding cycle which would have an adverse effect on our results of operations and financial conditions.

Our success is tied to the growth of the market for wireless communications services and our future revenue growth is dependent upon the expected increase in the size of this market.

Our revenues come from the sale of antenna systems, RF devices and coverage solutions. Our future success depends upon the growth in demand for wireless communications services. However, wireless communications services may not grow at a rate fast enough to create demand for our products. While we benefited from significant demand in the eight months ended August 31, 2009, we believe PRC domestic network operators reduced or delayed capital spending on network construction in 2006, 2007 and most of 2008 in anticipation of 3G deployment. We cannot assure you the PRC domestic network operators would not reduce or delay their capital spending again in the future. Such reduced spending on wireless networks had a negative impact on our operating results. If wireless communications network operators delay or reduce levels of capital spending, our operating results could be negatively impacted. Further, a reduction in capital spending budgets by network operators and wireless network solution providers caused by an economic downturn could also lead to a softening in demand for our products and services, which could result in a decrease in our revenues and earnings.

The wireless communication industry in China is extremely competitive and our inability to compete effectively would be detrimental to our current business and prospects for future growth.

We are in an extremely competitive industry, which is characterized by rapid technological advancement, downward pricing trends over the life cycle of a solution and high working capital requirements. We primarily compete on the following bases:

- design capability for wireless network infrastructure;
- quality of RF products;
- implementation capability;
- after-sales service;
- pricing and payment terms; and
- relationships with network operators.

However, there can be no assurance that we will maintain our competitiveness in these areas. If we fail to develop new products and services, periodically enhance our existing products and services, or otherwise compete successfully, it would reduce our sales and adversely affect our future prospects. In addition, China’s entry into the World Trade Organization in 2001 has resulted in the gradual lifting of its import restrictions, lowering of import tariffs and relaxing of foreign investment restrictions.

Several foreign wireless equipment companies, such as Andrew and Powerwave, have entered into the PRC market. Many of these companies are significantly larger and financially stronger than us, and have established manufacturing facilities in the PRC in trying to lower their production costs. This has further intensified price competition and may in the future affect our profit margins. Our current business and prospects for future growth would be materially and adversely affected if we are unable to compete effectively in the future.

Our business may be subject to various regulatory restrictions, and any new regulation may restrict our methods of conducting business and subject us to severe penalties.

Our antennas system, base station RF subsystem and coverage extension solution products are manufactured based on the designs, specifications or requirements set forth by our network operator and network solution provider customers. Our network operator and solution provider customers, in turn, base their designs and specifications on the laws and regulations governing the networks they are constructing. While we have ensured our manufacturing and research and development operations are in compliance with the environmental protection and safety laws and regulations issued by the central, provincial and local governments of the PRC, we cannot assure you that our network operator and solution provider customers will not change their designs and specifications as they begin to construct new networks in different parts of the world, or no government authority will change the relevant laws or regulations applicable to the designs and specifications of the equipment used in the networks located in their respective jurisdiction. For instance, in February 2003, the European Union issued the directive on restriction on hazardous substances, or RoHS, to exercise control over the toxic and hazardous materials used in certain electronic products. We believe some of our customers changed the design and specifications of the products they ordered from us in order to comply with the RoHS directive. If we cannot continue to design and manufacture products that are in compliance with the specifications set forth by our customers, our sales and operating results could be adversely affected.

Furthermore, the PRC government exercises considerable control over the structure and overall development of the telecommunication industry in China. It also owns a substantial percentage of all major telecommunication operators in China. The MII is the primary central government agency responsible for regulating the PRC wireless communication industry and has broad discretion and authority. The MII has adopted, and may adopt in the future, regulations that impose stringent standards on the wireless communication industry in China, with which we must comply. In order to comply with new regulations or revisions of previously implemented regulations we may be required to change our business plan, increase our costs or limit our ability to sell our RF products and solutions. If we are not able to comply with these regulations, we could be subject to various penalties, including fines and suspension or discontinuation of our operations. Therefore, adoption of new laws or regulations by the PRC government or a change in or revision of the interpretation of existing laws or regulations may also negatively affect our business prospects.

Actual or perceived health risks from the electromagnetic fields generated by base stations and mobile devices could negatively affect our operations by leading regulatory authorities to impose more stringent telecommunication equipment standards or causing consumers to reduce their use of mobile devices.

There has been public speculation about possible health risks to individuals from exposure to electromagnetic fields from base stations and from the use of mobile phone handsets. Further, as of the Latest Practicable Date, we have not received any health related claims from existing or ex-employees for having been exposed to the electromagnetic fields during their employment. Research into these issues is ongoing by government agencies, international health organizations and other scientific bodies in order to develop a better scientific and public understanding of these issues. We cannot assure you that future results of these and other studies, irrespective of their scientific basis, will not suggest a link between electromagnetic fields and adverse health effects that could adversely affect our revenue and share price.

Although our RF products and wireless coverage extension solutions are designed to meet all relevant safety standards in China, no more than a perceived risk of adverse health effects of mobile communications devices could adversely affect us through increased difficulty in obtaining sites for base stations, the development of more stringent telecommunication equipment standards by local governments and a reduction in use of mobile devices by consumers. Most of our revenue is derived, either directly or indirectly, from the provision of antenna systems and RF devices and development of more stringent telecommunication electromagnetic field emissions standards could require us to allocate more funds and personnel to comply with any new standards. A reduction in the use of mobile devices by consumers could also result in a reduction of orders from our customers to initiate new wireless coverage extension solutions resulting in a negative effect on our financial results and share price.

RISKS RELATED TO OUR OPERATIONS IN THE PRC

Our manufacturing operations are entirely located in the PRC. Accordingly, our results of operations and financial position are subject to a significant degree to economic, political and legal developments in the PRC, including the following risks:

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

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

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

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

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

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

A newly enacted PRC tax law could affect tax exemptions on dividends received by us and our shareholders and increase our enterprise income tax rate.

We are incorporated under the laws of the Cayman Islands. As foreign legal persons, dividends derived from our business operations in the PRC are currently not subject to income tax under PRC law. However, we cannot assure you that such dividends will continue to be exempt from PRC income tax. A new law, the PRC Enterprise Income Tax Law, and its implementation rules, were enacted on March 16, 2007 and December 6, 2007, respectively, and became effective on January 1, 2008. Under the new laws, if we are deemed to be a non-PRC tax resident enterprise without an office or premises in the PRC, a withholding tax at the rate of 10% will be applicable to any dividends paid to us, unless we are entitled to reduction or elimination of such tax, including by tax treaties between the PRC and the Cayman Islands, as applicable. As of the Latest Practicable Date, the Cayman Islands do not have such tax treaties with the PRC. It is also unclear as to how such tax reduction and elimination, if any, would be implemented otherwise and whether dividends derived before year 2007, which have not been repatriated, will be also subject to 10% withholding tax.

In addition, the new laws provide that, if an enterprise incorporated outside the PRC has its "de facto management organization" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and thus may be subject to enterprise income tax at the rate of 25% on their worldwide income. Substantially all members of our management are located in the PRC as of the effective date of the PRC Enterprise Income Tax Law. As such, we may be deemed a PRC tax resident enterprise and therefore subject to an enterprise income tax rate of 25% on our worldwide income (including dividend income received from our subsidiaries) which excluded the dividends received directly from another PRC tax resident. As a result of the changes described above, our historical operating results may not be indicative of our operating results for future periods and the value of our Shares may be adversely affected.

Gain on the sales of our Shares and dividends on our Shares may be subject to PRC income taxes

Under the New PRC Enterprise Income Tax Law and its implementation rules, we may in the future be recognized as a PRC tax resident enterprise by the PRC taxation authorities, and capital gains realized by foreign shareholders from sales our Shares and dividends on our Shares payable to foreign shareholders may be regarded as income from "sources within the PRC" and therefore become subject to a withholding tax of 10% for our non-PRC enterprise shareholders or potentially 20% for non-PRC individual shareholders, unless foreign shareholders are entitled to reduction or elimination of such taxes by certain tax treaties. If we are required under the PRC income tax laws to withhold PRC income tax on capital gains on sales of our Shares and/or dividends on our Shares payable to foreign shareholders, the value of our foreign shareholders' investments in our Shares may be materially and adversely affected.

Fluctuations in the exchange rates of the RMB may adversely affect your investment and could materially affect our financial condition and results of operations.

The exchange rates between the RMB and the Hong Kong dollar, the U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's political and economic conditions. In 2005, the PRC government changed its policy of pegging the value of the RMB to the U.S. dollar. Under the new policy, the RMB is pegged against a basket of currencies, determined by the People's Bank of China, against which it can rise or fall by as much as 0.5% each day.

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

Moreover, following the completion of the Global Offering, we expect a significant portion of our cash and cash equivalents to be denominated in foreign currencies. As our functional currency is RMB, such foreign currency-denominated cash and cash equivalents are exposed to fluctuations in the value of the RMB against the currencies in which these cash and cash equivalents are denominated. Any significant appreciation of the RMB against these foreign currencies may result in significant exchange losses.

Furthermore, any appreciation of RMB increases our cost of production, and any devaluation of RMB may adversely affect the value of our net asset in foreign currency terms. As most of our growth is from exports, any appreciation of RMB could give rise of uncertainties in our financial condition and results of operations.

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

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

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

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

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

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

Our Company is a Cayman Islands holding company and substantially all of our operations are conducted through our PRC operating subsidiary, MOBI Shenzhen. The ability of MOBI Shenzhen to make dividend and other payments to us may be restricted by factors that include changes in applicable foreign exchange and other laws and regulations. In particular, under PRC law, MOBI Shenzhen may only pay dividends after 10% of its net profit has been set aside as reserve funds, unless such reserves have reached at least 50% of its registered capital. In addition, the profit available for distribution from MOBI Shenzhen is determined in accordance with generally accepted accounting principles in China. This calculation may differ from one performed in accordance with HKFRSs. As a result, we may not have sufficient distributions from MOBI Shenzhen to enable necessary profit distributions to us or any distributions to our shareholders in the future, which calculation would be based upon our financial statements prepared under HKFRSs.

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