
REGULATION

INDUSTRY REGULATION IN CHINA

Relevant PRC Laws and Regulations in relation to the Industry

Based on the business scope the subsidiaries of our Company registered with the relevant government approval and registration authorities in the PRC, products manufactured by the subsidiaries of our Company are categorized as telecommunication equipment. This industry is regulated by the MII. Relevant important PRC laws and regulations of the industry include the Regulations of the People’s Republic of China on the Administration of Radio Operations (《中華人民共和國無線電管理條例》) (“Regulations on Radio Administration”), Provisions on the Administration of Manufacturing of Radio Transmission Equipment (《生產無線電發射設備的管理規定》) (“Provisions on Radio Administration”), Regulations on Telecommunications of the People’s Republic of China (《中華人民共和國電信條例》) (“Regulations on Telecommunications”) and Administrative Measures on the Network Access of Telecommunication Equipment (《電信設備進網管理辦法》) (“Network Access Administrative Measures”). These are briefly described below.

Regulations on Radio Administration

Pursuant to the Regulations on Radio Administration jointly promulgated by the State Council of the PRC (中華人民共和國國務院), or the State Council, and the Central Military Commission in September 1993, the State Radio Administration Commission (currently the Radio Administration Bureau (無線電管理局) under the MII) is responsible for the radio administration of non-military radio systems throughout the PRC. Where an enterprise manufactures radio transmission equipment, its working frequency, frequency band and relevant technical standards are required to comply with the State Council’s provisions on radio administration, and must be registered with the national radio administration organization or local radio authorities.

Provisions on Radio Administration

Pursuant to the Provisions on Radio Administration jointly issued by the State Radio Administration Commission and the State Technology Supervision Bureau (國家技術監督局) on October 7, 1997, a system for approving product models must be implemented with respect to the manufacturing of radio transmission equipment. The Office of the State Radio Administration Commission (國家無線電管理委員會辦公室) (“Office of Radio Commission”) is required to audit radio transmission equipment manufactured by an enterprise based on the transmission characteristics for a particular model, and issue a “Certificate of Approval of Model of Radio Transmission Equipment (無線電發射設備型號核准證) and model approval code upon satisfactory audit outcome. Equipment manufactured by an enterprise shall specify such model approval code on its label.

Pursuant to the Regulations on the Administration of Radio in Shenzhen Special Economic Zone as promulgated on January 21, 2009 by the Standing Committee of Shenzhen Municipal People’s Congress and implemented with effect from May 1, 2009, the manufacturing of radio transmission equipment in Shenzhen is subject to approval by the Office of Radio Commission on the particular type of transmission, as well as its issuance of the Certificate of Approval of the Model of Radio Transmission Equipment and model approval code. A manufacturer is required to make an application to the Shenzhen Radio Office for such certificate. An application will be initially reviewed by the Shenzhen Radio Office and then reported to the State Radio Administration Commission for decision. Upon obtaining the Certificate of Approval of the Model of Radio Transmission Equipment, the approved model of radio transmission equipment will then be permitted for production.

REGULATION

Regulations on Telecommunications

Pursuant to the Regulations on Telecommunications promulgated by the State Council on September 25, 2000, the MII has implemented regulatory control over the nationwide telecommunication industry. Under the supervision of the MII, telecommunications regulatory authorities of provinces, autonomous regions and municipalities directly under the PRC central government have accordingly implemented regulatory control over our telecommunication industry.

The State Council has implemented a network access licensing system for telecommunication terminal equipment, radio communication equipment and interconnection equipment. Any telecommunication terminal equipment, radio communication equipment and interconnection equipment connecting to a public network must comply with the standards specified by the State Council and be issued a network access licence. A list of telecommunication equipment under the network access licensing system is compiled and issued by the MII together with the product quality supervisory division of the State Council. Such division of the State Council together with the responsible division of the MII is responsible for following-up on the product quality of those telecommunication equipment granted with network access licences, supervising their random inspections and announcing the results of their random inspections.

Network Access Administrative Measurements

Pursuant to the Network Access Administrative Measurements promulgated by the MII on May 10, 2001, the State Council has implemented a telecommunication equipment network access licensing system for telecommunication terminal equipment, radio communication equipment and interconnection equipment connecting to public networks. Telecommunication equipment under the network access licensing system must be issued a network access licence by the MII. Telecommunication equipment without a network access license may not be connected to public telecommunication networks and the domestic sale of these equipment in the PRC is prohibited.

The list of telecommunication equipment under the network access licensing system is compiled and issued by the MII and the product quality supervisory division of the State Council in accordance with the network access licensing system. When applying for a telecommunication network access licence, manufacturers of telecommunication equipment (“manufacturing enterprises”) must comply with the laws, regulations and policy requirements of the PRC. Telecommunication equipment under application for network access licence must comply with the national standards, standards of the communication industry and the requirements of the MII. Telecommunication equipment manufacturing enterprises should have a comprehensive quality assurance system and provisions for after-sale services. When applying for telecommunication equipment network access licences, manufacturing enterprises must enclose an inspection report authorized by the product quality supervisory division of the State Council and issued by inspection authorities appointed by the MII, or a product quality certificate issued by certification authorities. When inspection authorities inspect telecommunication equipment under application for network access licences, the basis of inspection, the inspection procedures and the inspection reports to be issued shall comply with the provisions of the State Council or the MII. The Telecommunication Administration Bureau of the PRC is generally responsible for the administration of telecommunication equipment connecting to public networks and the supervision of inspections nationwide. Approval authorities appointed by the MII are responsible for handling applications for telecommunication equipment network access licences.

Within 60 days after receipt of an application for a telecommunication equipment network licence, the responsible division of the MII shall complete its review of the application and the telecommunication network access licence as well as the related label will be granted to applicants that have passed the review. The telecommunication equipment manufacturing enterprises must ensure the stability and reliability of the quality of telecommunication equipment granted with network access licences, and may not lower its product quality and performance.

REGULATION

Telecommunication equipment manufacturing enterprises must attach network access licence labels to the telecommunication equipment produced by them and granted with network access licences. The network access licence labels are centrally printed and issued by the MII. Such network access licence labels represent a symbol for quality, and must not be attached to telecommunication equipment without network access licences or with invalid network access licences. The network access licences and network access licence labels should not be transferred, amended, forged or counterfeited. Manufacturing enterprises must clearly mark the network access licence code on the packages of the telecommunication equipment granted with network access licences, and specify such network access licence code in any published advertisement.

The MII regularly publishes lists of telecommunication equipment and manufacturing enterprises which have been granted network access licences. Manufacturing enterprises with network access licences must, as soon as practicable, register with, and operate subject to the supervision and administration of, the communication administration bureaus of provinces, autonomous regions and municipalities directly under the central government in which they are located. No one may re-inspect and issue certificates to those telecommunication equipment already granted with network access licences. Telecommunication business operators shall not use any telecommunication equipment under the network access licensing system which has not granted a network access licence.

Environmental Protection Law

Pursuant to the Environmental Protection Law of the People’s Republic of China (the “Environmental Protection Law”) as promulgated and implemented by the Standing Committee of the Seventh National People’s Congress on December 26, 1989, the environmental protection administration department under the State Council shall conduct unified supervision and management of the environmental protection work throughout the PRC.

Pursuant to the Environmental Protection Law, the environmental protection administration department under the State Council shall establish pollutant discharge standards in accordance with the national environmental quality standards as well as the national economic and technological conditions. The construction of projects that will cause environmental pollution shall comply with the State Council regulations with respect to environmental administration in construction projects, including, among others, the stipulations that the pollution prevention facilities in such construction project shall be designed, constructed and put into operation simultaneously to the main body of such project; that such construction project shall not be put into operation or use until the pollution prevention facilities have been inspected and examined by the environmental protection administration department which approved the environmental impact assessment report; and that pollution prevention facilities shall not be dismantled or abandoned without authorisation.

In addition, business entities or units which discharge pollutants shall file registrations pursuant to the relevant regulations. Such entities or units shall be liable for a fee for any discharge of pollutants in excess of the State Council or local pollutant discharge standards and shall be responsible for remedy.

Environmental Impact Assessment Law

Pursuant to the Environmental Impact Assessment Law of the People’s Republic of China (the “Environmental Assessment Law”) as promulgated on October 28, 2002 and implemented by the Standing Committee of the Ninth National People’s Congress on September 1, 2003, construction units of any projects having an impact on the environment shall analyse, forecast, and assess the environmental impact that may result from the implementation of the design and construction of such projects; propose actions and measures which can prevent or remedy adverse environmental impact; and implement methodologies and systems for follow-up tracking and monitoring.

REGULATION

Construction units shall make arrangement for preparing environmental impact assessment reports or environmental impact assessment forms or fill in environmental impact registration forms. Where the environmental impact assessment documentation has not been examined by the approval authority as stipulated by law or has not been granted approval upon examination, the approval authority for such project shall not approve the construction and the construction unit shall also be prohibited from commencing any construction work. If there is any material change on the nature, scope, location, manufacturing techniques or pollution prevention or ecological conservation measures of a construction project after the approval of the environmental impact assessment documentation, the construction unit shall submit a new document for environmental impact assessment for the construction project for examination and approval.

Measures for the Control of Pollution from Electronic Information Products and corresponding standards

On February 28, 2006, seven ministries and commissions of the PRC — the MII, the National Development and Reform Commission, Ministry of Commerce, the General Customs Administration, the SAIC, the General Administration of Quality Supervision, Inspection and Quarantine, and the State Environmental Protection Administration jointly promulgated the Measures for the Control of Pollution from Electronic Information Products (the "Control Measures"), which were implemented as of March 1, 2007. On November 6, 2006, the MII further promulgated three corresponding standards, namely the Testing Methods for Hazardous Substances in Electronic Information Products, the Requirements for Concentration Limits for Certain Hazardous Substances in Electronic Information Products, and the Marking for Control of Pollution Caused by Electronic Information Products. The various ministries and commissions will undertake joint monitoring and management within the scopes of their respective responsibilities with respect to the Control Measures and the corresponding standards.

The Control Measures are applicable to electronic information products manufactured and distributed in or imported to the PRC. Under the Control Measures, for any products which are expressly set forth in the Notes on Classification in the Catalog of Electronic Information Products, including mobile communication equipment, cellular mobile communication equipment, mobile communication base stations, contain toxic or hazardous materials or elements, or contain toxic or hazardous materials or elements in excess of national standards or industry standards, the Control Measures and the relevant corresponding measures shall be taken in the research and development, design, production, distribution and importation of such products. General electronic information products shall have certain information imprinted thereon in accordance with the requirements of the corresponding standards. Relevant information includes the names and the amounts of toxic and hazardous materials or elements contained, the environmental friendly use period, recycling use and the names of packaging materials. In addition, the State Council will promulgate the Key Administrative Catalog for the Control of Pollution Caused by Electronic Information Products (the "Key Administrative Catalog"). Electronic information products included in the Key Administrative Catalog shall comply with higher standards in pollution control requirements and shall also undertake compulsory CCC certification. Currently, the State Council has not yet promulgated the Key Administrative Catalog.

The products shall be imprinted with the required information and data in accordance with the product marking requirements. It is not necessary for suppliers of components of an entire machine to imprint their products with the required information, but rather to supply all such information to the purchasers, who in turn shall make the product markings available on the ultimate products to be put into the market. The scope of marking information shall include all electronic information products purchased for manufacturing and assembling the ultimate products.

REGULATION

Our Operations and Licences

Our business scope, as registered with the relevant approval and registration authorities of the PRC government, includes the research and development, manufacture and trading of mobile communication network base station, antennas, radio frequency (RF) devices, RF modules, RF (sub) systems, RF cables, small integrated systems for communication, and after sales installation services.

Our Directors confirm that the products actually manufactured by us at present include mobile communication antennas, various kinds of RF devices and components, RF cables, various ancillary products for mobile base stations, but exclude base stations for mobile communication (including GSM, CDMA and PHS), and we currently do not engage in actual business of small integrated systems for communication. Pursuant to relevant laws and regulations in the PRC, and with confirmation from the relevant government authorities, no ratification and/or approval from the relevant government authorities is required for the production and sale of mobile communication antennas, various kinds of RF devices and components, RF cables, various ancillary products for mobile base stations. We may develop, manufacture and sell the foregoing products.

Our Directors confirm that we may sell products currently manufactured by us, and may choose to sell such products domestically or overseas at our discretion without any special approval from any regulatory authority of the PRC government. Pursuant to existing PRC laws and regulations, the quantity and price of the products manufactured and/or sold by us are not restricted by any mandatory program, guideline or rule. We may determine the quantity and price with reference to market demand or through negotiation with our customers. Our legal advisers as to PRC laws confirm that the production and sales of all our products comply with all relevant PRC laws and regulations on environmental protection and pollution control, and that our current operations or products are not subject to any special approval from any PRC authorities and that we have obtained all the necessary permits, licences and certificates for its operations throughout 2006, 2007, 2008 and the eight months ended August 31, 2009.

With respect to our overseas sales, our overseas customers, including our direct overseas customers, the factories or inventory hubs of global suppliers, or local distributors who would, in turn, resell our products to the local network operators, provide us with the specifications or requirements they required for their particular needs. While we have no direct knowledge of the exact location where some of our products may be installed, as our overseas customers must purchase for their own accounts or their affiliates' accounts, and the title of the products passes upon the delivery of our products to them or the payment of the purchase price for our products, depending on the purchase orders. Our end customers would be required to comply with the relevant laws and regulations of the location where they intend to install our products by providing us with the correct specifications ahead or upon placing their purchase orders. So long as we manufacture according to the specifications or requirements, the risk of any non-compliance with local laws and regulations rests with the local network operators.

Should there be any change to our business, products or to the PRC laws and regulations which render ratification and/or approval of the relevant regulatory authorities of the PRC government applicable to us, we will then seek to obtain relevant ratification and/or approval immediately. In particular, should we be involved in the manufacture, sales and marketing of base stations for mobile communication (including GSM, CDMA and PHS), the foregoing Regulations on Radio Administration, Provisions on Radio Administration, Regulations on Telecommunications and Network Access Administrative Measures will apply to us.