
BUSINESS

OVERVIEW

We are one of the few one-stop providers of wireless communication antennas and base station RF subsystems in China. By strategically locating our principal operations in China, we aim to capitalize on its fast growing mobile communication and equipment manufacturing industry that supplies the rapidly growing worldwide demand for mobile communication infrastructure equipment. Our business consists of the design, manufacture, marketing and sale of antennas, base station RF subsystem and solutions that are the required components of mobile communication coverage systems, including, wireless access systems (WiFi and PHS), 2G (GSM and CDMA), 3G (TD-SCDMA, CDMA 2000, W-CDMA and WiMax), satellite communication and microwave transmission networks. Our product portfolio is categorized into three principal groups: antenna systems, base station RF subsystems and coverage extension solutions. We sell our products to network operators in China and overseas for deployment into the networks they are constructing and operating. We also sell our products to wireless network solution providers who incorporate our products into their wireless coverage solutions, such as their proprietary base stations, which they then sell to network operators worldwide.

Our sophisticated technical skills and design experience in developing antennas and base station RF subsystems enable us to be qualified as an equipment supplier to some of the world’s leading wireless network solution providers, such as ZTE, Nokia Siemens Networks and Alcatel-Lucent. We also focus our marketing strategy on expanding our market share in China and certain international markets, particularly the rapidly growing emerging market countries that represent some of the greatest growth opportunities in the construction of wireless communication infrastructure, as wireless networks offer a highly cost effective way to provide communication infrastructure in these vast regions.

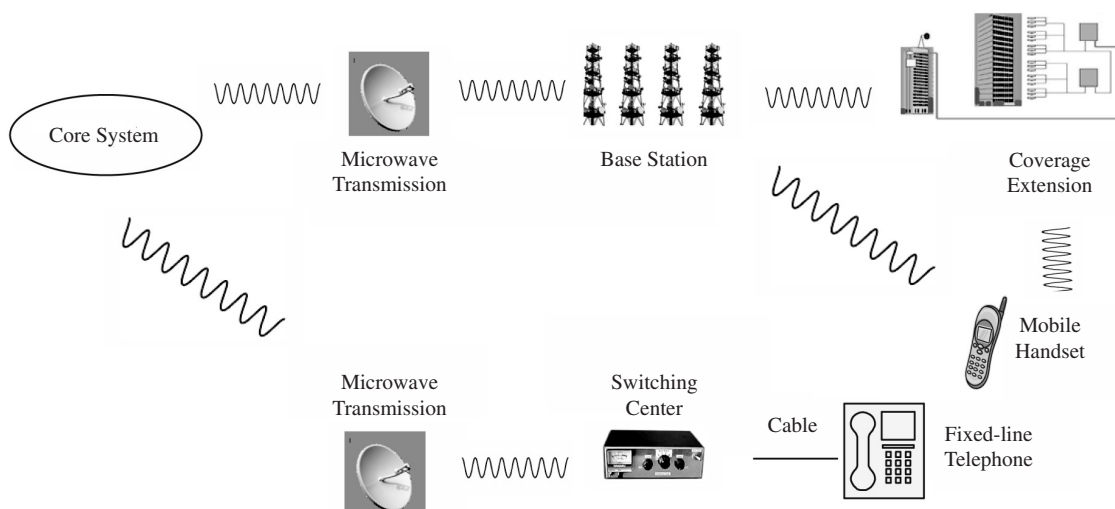
We are committed to providing quality and sophisticated products and building long term relationships with our customers. For the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, our revenues were RMB361.0 million, RMB626.8 million, RMB671.2 million and RMB632.4 million, respectively. Our net profits for the same periods were RMB31.5 million, RMB56.8 million, RMB61.9 million and RMB84.2 million, respectively.

The RF path

Our core competency is the design and manufacture of technology employed in the RF path of a communication network. The first stage of the RF path connects the core system of a network operator to base stations for a wireless communication system, and to switching centers of a fixed-line communication system. This stage of the communication can be transmitted either through fiber optic cables or microwave transmission. In microwave transmission, a directional microwave antenna, such as the ones we design and manufacture, is utilized. From the base station, the RF signal is further transmitted to individual wireless access systems (WiFi and PHS), 2G (GSM and CDMA), 3G (TD-SCDMA, CDMA2000, W-CDMA and WiMax) networks and to the mobile handsets. Where the signal is weak or cannot be established directly, a coverage extension solution can also be employed to repeat and amplify the signal.

BUSINESS

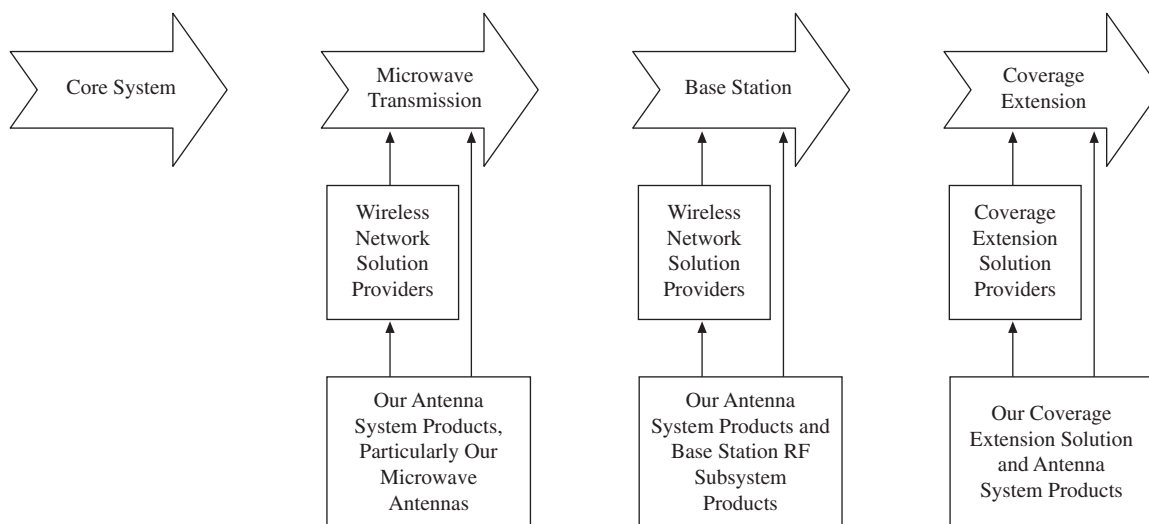
The following diagram illustrates the RF path.



The Wireless Infrastructure Supply Chain

We sell most of our antenna system and base station RF subsystem products to wireless network solution providers, such as ZTE, Nokia Siemens Networks and Alcatel-Lucent, who incorporate our products into their wireless coverage solutions, such as their proprietary base stations, which they then sell to network operators worldwide. We also sell our antenna system products, base station RF subsystem products and most of our coverage extension solution products to network operators in China and overseas for deployment into the networks they are constructing. A small portion of our coverage extension solution products is sold to other coverage extension solution providers whose product portfolio is more limited than ours or do not have the capacity to provide such products or for other reasons.

The following diagram illustrates the supply chain for wireless communication infrastructure.



BUSINESS

COMPETITIVE STRENGTHS

Strong relationships with all the PRC domestic wireless network operators and many of the world’s leading wireless network solution providers

We have strong, long-term relationships with all the PRC domestic wireless network operators, including China Mobile, China Unicom and China Telecom since 2001, 2001 and 2002, respectively, and have fostered commercial relationships with certain overseas wireless network operators, such as Reliance, India’s second largest wireless operator, beginning in early 2007. We have also maintained our established relationships with many global wireless network solution providers, such as ZTE, Nokia Siemens Networks and Alcatel-Lucent. Our relationships with all the PRC wireless network operators, certain overseas wireless network operators and many global wireless solution providers allow us to build multiple revenue sources and capture the growth opportunities in the wireless communication industry. We design, develop and manufacture RF devices for multiple frequency or network systems (including wireless access systems, such as WiFi and PHS), GSM, CDMA, TD-SCDMA, W-CDMA and CDMA2000 protocols. For ZTE and Nokia Siemens Networks, we have been one of their suppliers of GSM and W-CDMA products in China and overseas since 2002 and 2005, respectively. ZTE is also leveraging our expertise in design and manufacturing RF products for TD-SCDMA and CDMA2000 networks to further enhance the 3G wireless technology and networks in China and overseas markets. We have been recognized by Nokia in its Kylin Award in 2005 and 2007 and by Datang Telecom, a company engaging in business of microelectronics, software communication access etc., as the highest quality provider for 2008. We also have a history of selling 2G (GSM and CDMA) wireless network infrastructure to China Mobile, China Unicom and Reliance, a telecom services provider, and PHS wireless infrastructure to China Telecom. We began to sell 3G related products in 2004 and began to sell TD-SCDMA, W-CDMA and CDMA2000 products to China Mobile, China Unicom and China Telecom, respectively, soon after they obtained their 3G licenses on January 7, 2009.

Strong research and development capability

Our focus on RF antennas, equipment and technology and the experience we have gained through the implementation of our products in wireless communication network infrastructures around the world has enabled us to develop substantial expertise in wireless infrastructure equipment technology. 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 comprehensive experience in design, development and manufacturing RF products for different segments of the wireless infrastructure, including the microwave transmission and base station RF subsystems, also provides us with technical know how that facilitates the compatibility of our RF products with our customers’ requirements. Technical cooperation with global wireless network solution providers that provide us with exposure to technical developments in other regions of the world also enhances our product development capabilities. Further, this knowledge enables us to shorten our product development cycle. As a result, we are generally able to complete the design and development of a new product within a short timeframe that has been mutually agreed by our customers. This short product development cycle, which may vary from a few days for simple modification of an existing product to several months for certain specially designed products, also results from the low turnover rate among our engineers, and the shared research and development experience and know how that we continue to develop and refine. In 2006, 2007, 2008, and the eight months ended August 31, 2009, the turnover rates of our research and development engineers were 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

BUSINESS

engineers departed during the period together with the total number of research and development engineers at the end of the period. In order to promote the business and the development of advanced technology, we strengthened our research and development capacity by setting up an additional research and development center in Xian in May 2008 and recruited more qualified engineers. The number of the research and development engineers increased significantly from 89 in December 31, 2006 to 163 in August 31, 2009 with 134 of the engineers be holders of bachelor’s degree or senior engineer certificate. 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. We have been a member of the TD Industry Association that shapes the development of TD-SCDMA protocol since June 2007.

Comprehensive product portfolio for the RF path

We have the ability to provide total customer solutions, including virtually all components of the RF path of a wireless network, through our product offerings in the antenna system, base station RF subsystem and coverage extension product groups. We believe that our diverse product range differentiates us from other China-based RF product suppliers, as other China-based suppliers tend to concentrate on a few segments of the RF path, such as the antennas, base station RF subsystem or coverage extension or a single customer group, such as the PRC domestic network operators. We are proactively building out our product roadmap while working very closely with our customers to ensure that we develop, build and release products based upon their requests or specifications. We have also developed many innovative products including wide-band antenna panels that covers multiple frequency bands and thereby offer commercially and technically attractive alternative solutions to wireless solution provider and network operator customers and remote electronic down tilt antennas that allow the network operators to change the direction of the antennas by remote electrical signals. We also believe that as international wireless solution providers increasingly outsource the design and manufacturing of RF products to suppliers like us, the knowledge we have gained from producing a comprehensive product portfolio will enable us to engage in more efficient technical discussions with our customers and help us shorten the product development cycle. Our comprehensive product portfolio also allows us to better meet the performance and cost efficiency requirements of our customers.

Close proximity to suppliers and customers and competitive cost structure

We have strategically located our operations among China’s production and logistics centers for wireless communication network products. As China emerges as the global center for RF products manufacturing, our close proximity to RF raw material suppliers gives us an advantage over competitors in the Americas and Europe. As a result, we have benefited from comparatively low transportation and other logistic costs and short delivery times. We believe by locating our production facilities in China, we also benefit from reduced transportation costs and priority supply relationships with local suppliers. In addition, our close proximity to China’s major wireless network solution providers, such as ZTE, enables us to strengthen our relationships with them by providing them with timely and comprehensive service and focused technical and engineering support. Our proximity to some of the network solution providers and network operators in China enables us to better identify customer needs and market trends, and align our product development efforts with these needs and trends. Further, the manufacture and development of RF products for a variety of landscapes and coverage environments are highly customized and labor intensive. The radio frequency requirement of custom-designed RF products is tuned manually, as no automated equipment can reproduce the flexibility and precision of a human technician in manufacturing this highly customized equipment. As a result, our skilled yet cost effective workforce in China provides us with a key competitive strength. We have also designed production lines that efficiently combines both the automated and

BUSINESS

manual portions of our production process, and we rely on in-house production and strict control of our production process to ensure the quality of our products while minimizing component costs. This reduces the cost of our solutions compared to many competitors that outsource RF product manufacturing to third parties.

Capable management and engineering team

Our management team has significant industry experience and strong client relationships, and has instilled in our company a culture of strict financial responsibility. Certain members of our senior management have over 15 years of experience in the communications industry. After becoming our strategic shareholders in 2003, SB Asia, a private equity fund managed by SAIF Partners, has assisted us in developing our corporate governance policies, including replacing our domestic accounting firm with an independent auditor from an international accounting firm with more sophisticated accounting control and reporting system, and broadening our management's perspective by appointing two non-executive Directors who are experienced in serving on the boards of listed companies. In addition, we had also engaged professional training consultants to provide training sessions to personnel and assist the development of our corporate structure. Our team of research and development engineers is highly trained academically and professionally. As of August 31, 2009, we had approximately 163 research and development engineers, of which 134 possessed bachelor's degrees or senior engineer certificates.

OUR STRATEGY

We seek to increase our revenue, market share and customer base while seeking to control our working capital requirements and maintain low costs through implementing the following strategies:

Maximize 3G opportunities by working closely with our key customers

The issuance of 3G operator licenses by the PRC government on January 7, 2009 has triggered significant capital investment by the PRC wireless network operators. We, as an equipment manufacturer and solution provider that develop products that assist China's network operators in migrating to the 3G standard, expect to benefit greatly from this migration process. We have previously worked with several international network solution providers, such as ZTE and Nokia Siemens Networks, to develop products that work seamlessly in 3G networks, such as W-CDMA and CDMA2000 products. Starting from January 2009, we also began to sell 3G related products, including TD-SCDMA products, directly to all the 3G wireless network operators in China. In the overseas market, we also sell W-CDMA products to overseas network operators beginning from 2008. We intend to expand this market as we continue to advance our manufacturing and design know-how. We also intend to continue to invest in our development of 3G products and solutions so that together with our long standing customer relationships, strategic focus on 3G and good relationship with major 3G solution providers, we are strongly positioned to win business.

Leverage our short research and development cycle to develop our customer base and increase our technology sophistication

We believe we have achieved a competitively rapid research and development cycle in China. While exploiting our expertise on designing antenna, base station RF subsystem and coverage extension solution products, our engineers from different groups are also working together to develop integrated product solutions. The low turnover rate of our research and development engineers also ensures the continuity of this research and development platform and allows us to continue to fine-tune our technical know how. We have a group of customers whose needs and requirements

BUSINESS

we understand well, including PRC domestic network operators, such as China Mobile, China Unicom, China Telecom and India's Reliance, and international wireless network solution providers, such as ZTE, Nokia Siemens Networks and Alcatel-Lucent. The breadth of knowledge we possess helps us to overcome design bottlenecks quickly and efficiently. As the 3G network is being built up in China, we will be called to quickly deliver products and solutions for immediate deployment. We believe that our familiarity with the 3G standard, the needs and requirements of the network operators and solution providers along different segments of the RF path, and comprehensive knowledge base and short product development cycle should position us as a preferred supplier to network operators and wireless network solution providers.

Capitalize on our lower cost structure to gain market shares

Our corporate culture emphasizes cost control and working capital management at all levels of our organization. We have strategically located our operations in Shenzhen, Jian and Xian among China's wireless equipment production and logistic centers to ensure we benefit from reduced transportation and production costs and priority supply relationships with local suppliers. We have also increased the automation of our manufacturing processes for higher efficiency and cost savings. We plan to implement design, development and manufacturing programs that will allow us to use more interchangeable components for different products and thereby further lower the number of different components required to manufacture our full product line. We intend to leverage our focus on the manufacturability of our product designs to help us increase our manufacturing productivity while reducing our product costs. We believe that our ability to offer a comprehensive range of products also allows us to better meet the cost efficiency requirements of our customers. We intend to continue to exercise financial discipline while pursuing revenue growth and product line expansion.

Further expand our customer base to other solution providers and network operators worldwide

We plan to leverage our position as a leading supplier in China of antenna system and base station RF subsystem products to increase our market share in the coverage extension solutions market. By maintaining our focus on the quality, reliability and manufacturability of our product portfolio, we believe we can capitalize on the growth of China's communications networks. Further, we intend to continue to expand our customer base by offering a broad range of products at attractive prices to meet the diverse requirements of network operators and wireless solution providers worldwide. We believe there are significant growth opportunities in the overseas markets, particularly in emerging markets where significant investment in communication infrastructure are being driven by growth in the sophistication and size of the working populations. We seek to expand our overseas sales networks and capitalize on opportunities in these markets by leveraging our track record in China, existing relationship with local network operators and with wireless network solution providers who supply the local network operators.

OUR PRINCIPAL PRODUCT GROUPS

Our technology and products are categorized into three principal groups: antenna systems, base station RF subsystems and coverage extension solutions.

BUSINESS

The following table sets forth the revenue in each of our product groups and as a percentage of our total revenue.

	For the Year Ended December 31,						For the Eight Months Ended August 31,			
	2006		2007		2008		2008		2009	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(unaudited)</i>									
	<i>(in thousands, except percentages)</i>									
Antenna System	186,392	51.7%	268,751	42.9%	260,543	38.8%	129,641	30.4%	276,282	43.7%
Base Station RF Subsystem	165,433	45.8%	340,940	54.4%	388,675	57.9%	285,025	66.8%	274,501	43.4%
Coverage Extension Solution	9,131	2.5%	17,115	2.7%	21,964	3.3%	11,772	2.8%	81,584	12.9%
Total Revenues	<u>360,956</u>	<u>100.0%</u>	<u>626,806</u>	<u>100.0%</u>	<u>671,182</u>	<u>100.0%</u>	<u>426,438</u>	<u>100.0%</u>	<u>632,367</u>	<u>100.0%</u>

Antenna Systems

Our antenna system products principally consist of base station antennas, microwave antennas, terminal antennas, and other antennas for WiFi, WiMax, GPS and other applications.

Base Station Antennas. Base station antennas capture the wireless signal to and from the user's mobile handsets and the network operators' base stations. The base station antenna transmits and receives these wireless signals with a series of passive radiating elements that are tuned to the wireless operator's frequency band. We offer an extensive line of base station antennas that cover all major wireless voice communication protocols under the 2G standard, such as GSM and CDMA, and 3G standard, such as TD-SCDMA, W-CDMA and CDMA2000. Our base station antennas range in sizes from approximately one foot in length to large, omni-directional antennas in excess of ten feet in length. We have developed innovative products including wide-band antenna panels that covers multiple frequency bands and thereby offer commercially and technically attractive alternative solutions to wireless solution provider and network operator customers and remote down-tilt antennas that allow the network operators to change the direction of the antennas by remote electronic signals. Our product portfolio supports all major current 3G protocols adopted by ITU, including W-CDMA, CDMA2000 and TD-SCDMA. We believe we are one of the leading suppliers of TD-SCDMA antennas.

Microwave Antennas. We manufacture a full line of microwave antennas for applications in wireless and fixed-line communication infrastructure. The microwave antenna takes the RF transmission from the microwave radio, focuses the beam and reflects the signal to another microwave antenna at the opposite end of the link. Microwave transmission is often used by network operators and wireless solution providers as an alternative to fiber optic cable as it offers greater cost savings in long range network and through certain types of terrain.

Terminal Antennas. Terminal antennas are attached to consumer product equipment and represent the first and last RF links of a wireless communication network. Our terminal antennas are used in various wireless terminals, such as WLAN terminals.

WiFi, WiMax and GPS. For WiFi and WiMax antennas, we offer abundant design options, such as panel, planar array and omni-directional antennas. Our GPS antennas can cover gain ranging from 28dBi to 56dBi, and have been widely applied in various systems.

BUSINESS

Base Station RF Subsystems

Base station RF subsystem products are installed into or around the base stations of the wireless networks and are the integral components of the wireless base stations. The base station RF subsystem products that we design and manufacture include RF devices such as filters, duplexers, combiners, splitters and tower mount amplifiers. Our network solution provider customers incorporate our RF devices with the power amplifiers manufactured by third parties in the RF shelf of their proprietary base station controller cabinet.

RF Devices. RF devices include filters, duplexers, combiners, splitters and tower mount amplifiers. Filters are used to select intended RF signals and isolate these signals from unwanted interference and noise. Duplexers are used to allow one antenna to both transmit and receive signals. Combiners allow the combination of multiple signals from different RF components into one transmitting antenna. Splitters allow the signals received from one antenna be distributed to different RF components. Tower mounted amplifiers improve network performance by performing the filtering and amplification function as physically close as possible to the actual receiving antenna, thus eliminating additional signal deterioration and noise. The manufacture of RF devices require certain level of technical sophistication and the RF devices are generally custom-designed and manufactured to the specifications required by the wireless solution providers. For example, a large portion of the RF devices we sold to ZTE, Nokia Siemens Networks and Alcatel-Lucent were custom-made in nature. We have been certified as a supplier to some of the leading wireless solution providers in the world, such as Nokia Siemens Networks, Alcatel-Lucent and Nortel Networks. We are also a key supplier of RF devices to ZTE, a major Chinese wireless solution provider.

Coverage Extension Solutions

Coverage extension solution products are used to extend and enhance the coverage of wireless networks in areas where signals are difficult to send or receive. We offer a wide array of coverage products consisting of various antennas and RF devices that extend wireless network coverage into buildings and other areas where it is difficult to get wireless reception. We distinguish ourselves from other coverage extension solution providers by our technical sophistication in antenna system and base station RF subsystem technology.

In-Building Antennas. Our in-building antennas cover frequency ranges from 800MHz to 2500MHz with a variety of different mounting options, such as wall mounting and ceiling mounting, which can satisfy most in-building coverage requirements.

Aesthetic Antennas. Our aesthetic antennas are capable of satisfying signal distribution requirements while resembling street lamps, lawn ornaments, advertising billboards and air-conditioners, which greatly reduce the visual pollution caused by ordinary antennas and towers in the residential areas.

Electric Cables. We also manufacture electric cables for use with our antennas system and base station RF subsystem products. The cables we manufactured do not require high degree of technical sophistication, we manufacture them principally as a cost saving measure for our customers.

BUSINESS

RESEARCH AND DEVELOPMENT

We believe that the successful marketing of our products depends on our research, engineering and production skills. Our development efforts focus on ways to reduce the cost and increase the manufacturing efficiency of our existing products. We also invest significant resources in the research and development of new products in each of our product groups. For example, we have set up an additional research and development center in Xian in May 2008. We had also entered into two technology development agreements with China Mobile Research Institute (中國移動通信有限公司研究院) to jointly develop certain TD-SCDMA related antenna technologies between March 2008 and March 2009. In addition, we have also developed new products to support a number of other 3G transmission protocols and other emerging network protocols, such as WiMax. As of August 31, 2009, we have two research and development centers, one in Shenzhen and one in Xian. Our total research and development staff, headed by one of our executive Directors, Wang Guoying, consisted of 269 employees of which 163 were research and development engineers and 134 possessed bachelor’s degrees or senior engineer certificates. Our research and development team is headed by senior engineers with over 15 years of industry experience. The technological sophistication and innovative ideas of our research and development personnel have enable us to obtain [122] registered patents and file [38] pending patent applications in the PRC as of the Latest Practicable Date. 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.

PRODUCTION

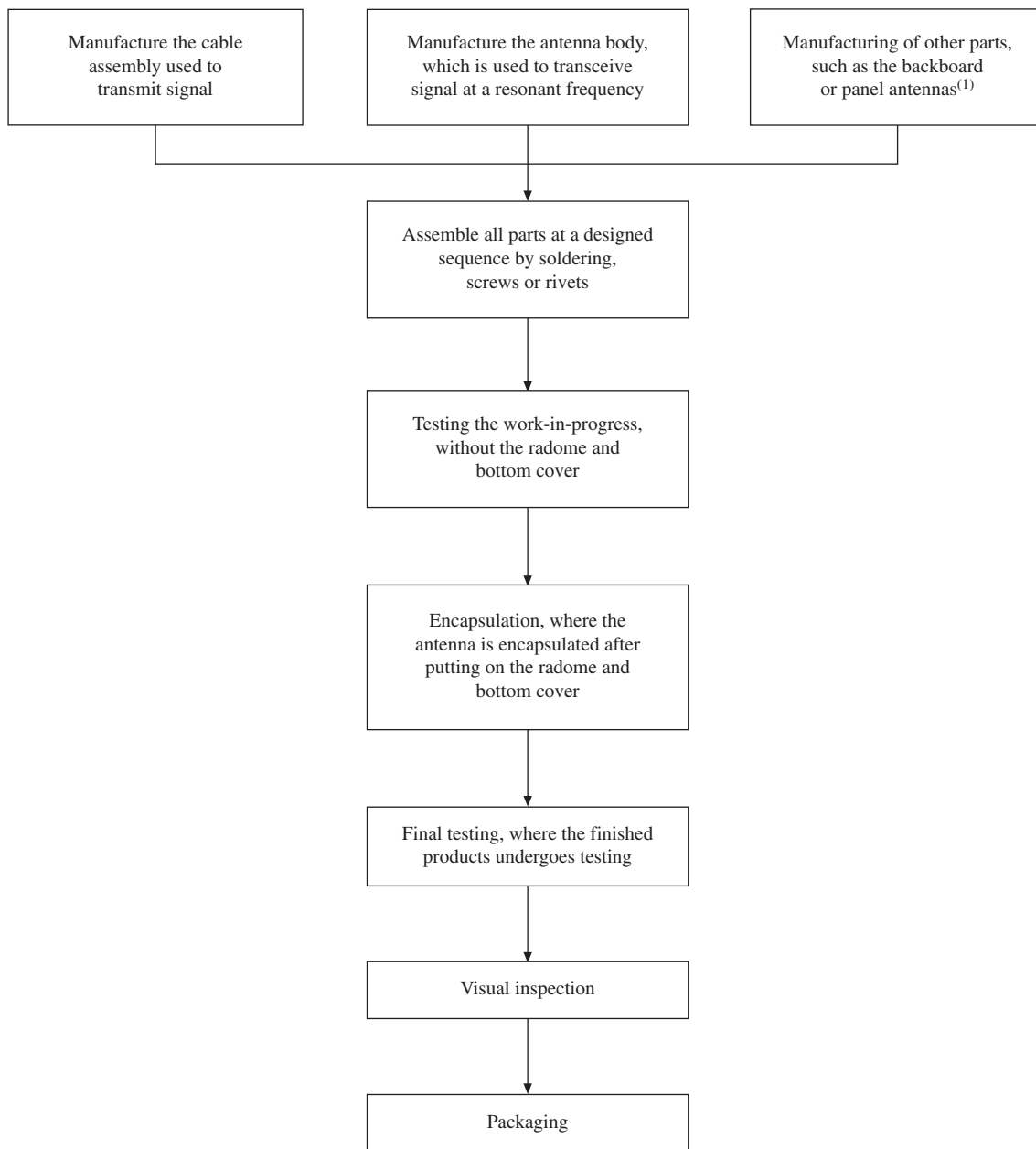
We generally design, develop, manufacture and assemble the products we sell. We also utilize contract manufacturers for certain parts and materials, such as die cast and printed circuit boards.

Manufacturing

Our manufacturing process involves the assembly of numerous individual components and precise fine-tuning by production technicians. We base most of our current manufacturing operations in the Pearl River Delta region, which is one of China’s production and logistics centers for wireless network products. We believe by locating our production facilities there, it allows us to enjoy lower production costs and priority supply relationships with local suppliers. All of our manufacturing facilities share a company-wide commitment to quality and continuous improvement. We have worked to ensure that our manufacturing processes and systems are based on the quality model developed by the International Organization for Standardization (ISO), and that identical management guidelines are used at different manufacturing facilities aiming to produce products of the highest quality. Our quality assurance teams oversee the verification and control of our manufacturing processes. We

BUSINESS

received ISO 9001:2000 certification in 2001, which is the most widely recognized standard for quality management and ISO 14001 in 2004, which is the standard for environmental management. The following chart sets forth the manufacturing process of our antenna products.

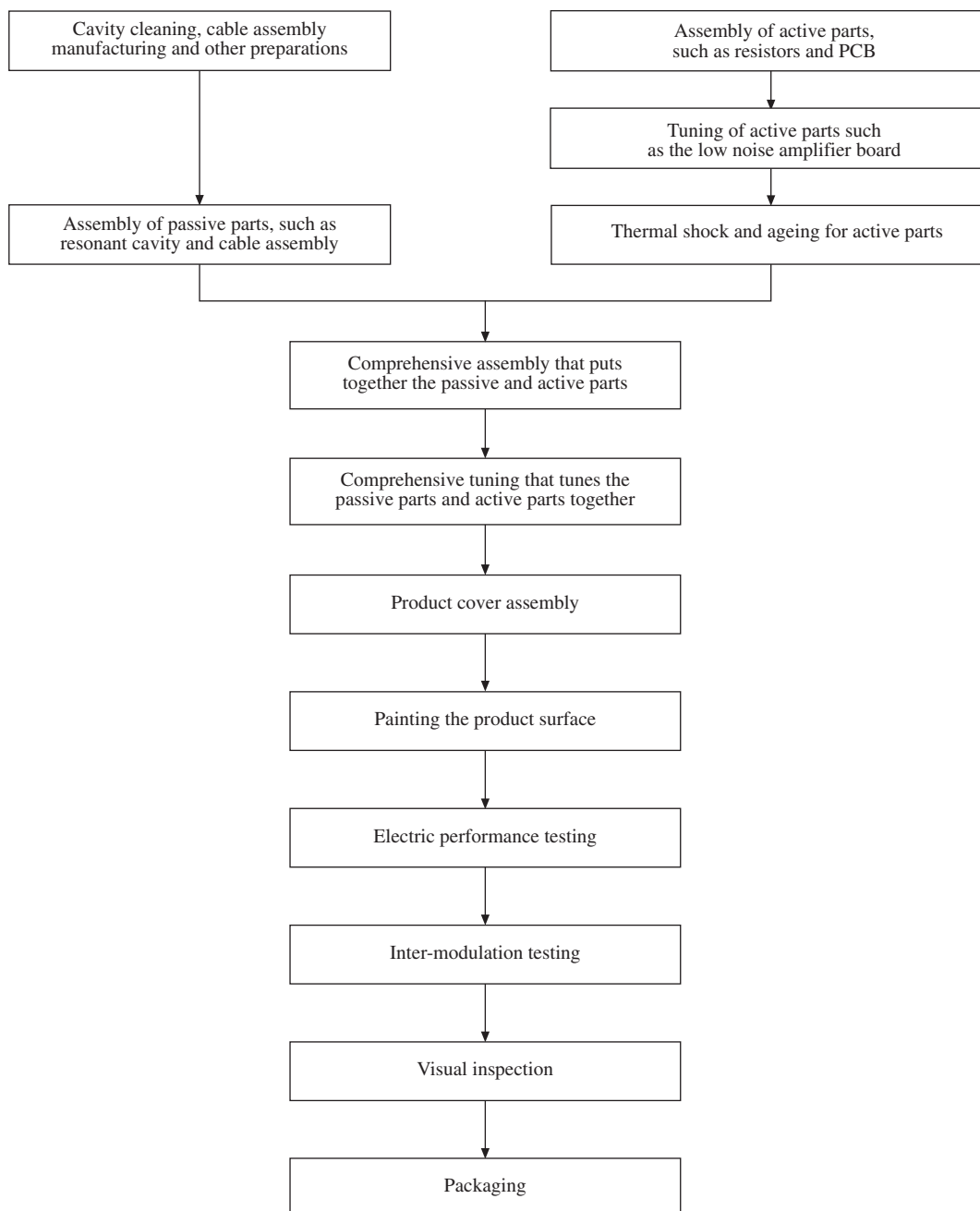


Note:

(1) These manufacturing steps may not be applicable to some types of antennas

BUSINESS

The following chart sets forth the manufacturing process of our RF devices.



Due to the many and varied specifications of our antenna system and RF device products, we rely on the skills of our technicians in each of the design, component sourcing, assembly, tuning, testing and packaging stage to ensure the quality of our products. The raw materials we used in our manufacturing processes principally consist of (i) aluminum boards, radiators, feed networks, radomes, mounting kits, cables and connectors for our antenna products, and (ii) electric components (such as isolators, resistors and capacitors), cavities, covers, cables and connectors for our RF devices. Our research and development department designs products based on the market trends and individual requirements of our customers and produces the blue prints, specification sheets and instruction

BUSINESS

manuals to be used in our manufacturing facilities. We manufacture some of the required components used in our products in-house to ensure the quality of our products and the steady supply of such components. From time to time, we may also assemble dedicated production lines for certain customers, staffed with engineers and technicians who are familiar with that customer’s specific design features and product assembly processes. Based on our database of qualified suppliers, our component sourcing department also purchases from quality third party suppliers certain components that are casted or manufactured based on our blue prints and specification sheets to minimize component costs, in which case, we may also require our suppliers to maintain confidentiality regarding our purchases. For the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, we purchased approximately RMB295.4 million, RMB495.1 million, RMB540.8 million and RMB463.2 million of raw materials and components from third party suppliers. Due to the complexity of our products and their small dimensions, skilled technicians in our manufacturing facilities are required to assemble many sub-components together with manual precision. During our assembly process, we also subject certain components to rigorous weathering and ageing treatments as well as extreme temperature testing. Our tuning and testing process is also skills intensive. Depending on the complexity of certain products, we may tune and test individual sub-components many times prior to tuning and testing the finished products. As a result, the prices of our products can vary significantly based on the complexity of the design, high performance specifications, the quantity ordered and the manufacturing process involved.

Our sales and marketing managers review our inventory ageing list on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realizable value. The purpose of the comparison is to ascertain whether allowance is required to be made for any obsolete and slow-moving items. For the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, our inventory write-downs were RMB1.1 million, RMB1,000, RMB0.4 million and RMB0.7 million, respectively.

We currently have seven manufacturing facilities, of which three are located in Shenzhen, including our manufacturing facilities located in Science and Technology Park, Chaguang Industrial Park, and Taoyuan Pingshan Minqi Industrial Park. The lease at Chaguang Industrial Park will expire on November 30, 2009 and we will relocate the relevant manufacturing facilities to Runheng industrial area in Shenzhen by the end of November 2009. We also have three manufacturing facilities located, respectively, in Jizhou Industrial Park, Zhongxin Industrial Park and Biliqi Industrial Park in Jiangxi Province, and one manufacturing facility located in New Type Industrial Park in Xian, Shaanxi Province. For further detail, see “— Real Property” below. Our manufacturing processes may be reconfigured for each product based on the particular product design and specifications set forth by our customers. As a result of the nature of our production processes and reliance on manual work, we are unable to quantitatively measure our production volume and utilization rate in any representative manner. We believe that the production facilities that we utilize are in good condition, well maintained, capable of ensuring the level of quality we desire and are not currently in need of any major repairs or refurbishment.

Quality Control

We emphasize quality control in all aspects of our business. Our sophisticated technical skills and design experience in developing RF antennas, equipment and technology allow us to be qualified as an equipment supplier to some of the world’s leading wireless network solution providers such as ZTE and Nokia Siemens Networks. We rely on in-house production and strict control of our production process to ensure the quality of our products while minimizing component costs. We have segregated the quality control functions into four departments with different specialization — reliability center, antenna quality center, RF quality center and supplier qualification. We have strengthened our quality

BUSINESS

control capacity by recruiting more quality assurance personnel. As of August 31, 2009, we have 226 quality assurance personnel located in our Shenzhen, Jian and Xian facilities as compared with 127 in 2006. From sourcing of raw materials, production and packaging of our finished product prior to delivery, we strictly monitor and control the quality of our operations. Our quality assurance team also actively engages in product design, ensuring production considerations are addressed at an early stage of the design process and minimizing the number of products that fail our quality control tests. In order to monitor our production quality and ensure that our products meet all our internal benchmarks and customers' specifications, we have implemented various quality-control checks into our production process. We were ISO 9001:2000 certified in 2001 for our design, production and servicing process and ISO 14001 certified in 2004 for our environmental management systems at our production facility in Shenzhen. Throughout 2006, 2007, 2008 and the eight months ended August 31, 2009, we have not had any product recall or third party claim for any damage or loss sustained arising from defective products.

Quality Control for Raw Materials and Components. We only purchase raw materials and components from suppliers who have passed our quality and reliability assessments and have been admitted to our list of qualified vendors. We return to the supplier any raw materials that do not pass inspection. We also periodically assess our suppliers and those who fail our evaluation are removed from our qualified vendor list.

Quality Control During Production. We test our semi-finished products at various stages of the production process to ensure their quality and compliance with all internal benchmarks before continuing on to the next stage of the production process.

Final Testing Before Delivery. After the production process is finished, we perform thorough inspections to ensure that customers' specifications are met prior to delivery of our products.

Warranty. We typically 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. We also have not had any product recall or third party claims for any damage or loss sustained arising from defective products during 2006, 2007, 2008 and the eight months ended August 31, 2009.

KEY CUSTOMERS

We sell most of our antenna system and base station RF subsystem products to wireless network solution providers, such as ZTE, Nokia Siemens Networks and Alcatel-Lucent, who incorporate our products into their wireless coverage solutions, such as their proprietary base stations, which they then sell to network operators worldwide. We also sell directly to PRC domestic network operators including China Mobile, China Unicom and China Telecom and to certain overseas network operators for immediate deployment into the networks they are constructing. We also sell a small portion of coverage extension solution products to other wireless solution providers whose product portfolio is more limited than ours, or who do not have the capacity to produce such products or for other reasons.

See "Our Relationship with Certain Customers and Suppliers — Our Relationship with Certain Customers" for further details regarding our relationship with ZTE.

BUSINESS

SALES AND MARKETING

As a supplier of RF equipment and technology for wireless communication infrastructure, our business consists of the design, manufacture, marketing and sale of RF equipment and solutions that improve coverage, range, capacity and transmission speed in 2G and 3G wireless communications networks and the microwave transmission portion of the fixed-line communication networks. We categorize our product portfolio into three principal groups: antenna systems, base station RF subsystems and coverage extension solutions. We sell our products directly to network operators in China and overseas for deployment into the networks they are constructing. We also sell our products to wireless network solution providers, such as ZTE, Nokia Siemens Networks, and Alcatel-Lucent, who incorporate our products into their wireless coverage solutions, such as their proprietary base stations, which they then sell to network operators worldwide.

The following table sets forth the revenue in each of our geographic segments.

Geographic Segment	For the Year Ended December 31,			For the Eight Months Ended August 31,	
	2006	2007	2008	2008	2009
	<i>(RMB in thousands)</i>				
PRC domestic ⁽¹⁾	319,252	393,271	466,320	261,178	581,072
Overseas	<u>41,704</u>	<u>233,535</u>	<u>204,862</u>	<u>165,260</u>	<u>51,295</u>
Total	<u>360,956</u>	<u>626,806</u>	<u>671,182</u>	<u>426,438</u>	<u>632,367</u>

Note:

- (1) Includes sales made to ZTE for both PRC and overseas uses as well as China sourcing offices of international solution providers, such as Nokia Siemens Networks.

Sales to PRC network operators

We sell our antenna system products, including base station antennas and coverage extension solution antennas directly to PRC wireless communication network operators, including China Mobile, China Unicom and China Telecom. As of August 31, 2009, we had a direct sales force of more than 37 professionals covering all provinces and direct municipalities within China. Our direct sales force is also responsible for providing after sale services for our products. Our direct sales force regularly contacts our PRC network operator customers to provide information about our current product line as well as general consultation services.

The PRC domestic wireless network operators generally solicit products and services from antenna system providers by announcing a request for proposal, or RFP. The RFP cycle begins with a qualification process. Historically, product qualification is determined at the provincial level by the local affiliates of the four PRC network operators. In recent years, China Unicom and China Mobile have also initiated a central procurement procedure where qualification of the suppliers for certain projects is determined by China Mobile’s and China Unicom’s parent company. It is anticipated that China Mobile and China Unicom intend to increase the number of projects whose requirement will be purchased through the central procurement procedure.

BUSINESS

After receiving qualification, we generally enter into an annual framework agreement with the PRC domestic network operator customers, such as China Mobile, and then sign purchase documents with the local affiliates of the relevant PRC network operator for particular projects. Such local affiliates will oversee the installation, inspection, payment and warranty services of our products. We believe the local affiliates make their selection decision based on price, product sophistication, supplier's ability to provide warranty services, and financial viability of the supplier, and generally issue more purchase orders to stronger suppliers. Depending on the purchase order, installment payments are made upon the occurrence of contractually stipulated payment events, which typically include the delivery of our products, installation, preliminary and final inspection, or completion of the warranty period.

For China Mobile, the payment terms most commonly specified in the purchase documents signed in the eight months ended August 31, 2009 are 80% upon delivery of our products and 20% after the trial period, which usually last for about one year. For China Unicom, the payment terms most commonly specified in the purchase documents signed in the eight months ended August 31, 2009 are 70% upon delivery of our products, 20% upon the issuance of the initial inspection certificates, which usually take place within 30 to 90 days after the delivery and 10% upon the issuance of the final inspection certificates, which usually take place 180 days after the delivery. For China Telecom, the payment terms most commonly specified in the purchase documents signed in the eight months ended August 31, 2009 are 80% upon delivery of our products, with the remainder to be settled after the trial period, which usually lasts between 90 to 180 days from delivery.

Sales of our products to the four PRC network operators approximated RMB96.7 million, RMB69.8 million, RMB82.1 million and RMB258.2 million, or 26.9%, 11.1%, 12.2% and 40.8% of net sales, for the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, respectively.

Sales to wireless network solution providers

We sell most of our base station antennas and base station RF subsystem products to wireless network solution providers, such as ZTE, Nokia Siemens Networks and Alcatel-Lucent, who incorporate our products into their wireless coverage solutions, such as their proprietary base stations, which they then sell to network operators worldwide.

Our marketing efforts towards wireless network solution provider customers are focused on establishing and developing long-term relationships. Our solution provider customers typically conduct lengthy and in depth evaluations of us and our products before making purchase commitments. As of August 31, 2009, we were a qualified supplier to a number of network solution provider customers, including, but not limited to, ZTE, Nokia Siemens Networks, Alcatel-Lucent, NEC and Datang Telecom.

While we do not enter into long term contracts with our network solution provider customers, for planning purposes, such customers usually supply us with non-binding rolling forecasts that also indicate increasing or decreasing demands that form the basis of purchase orders at a later point in time. We generally invoice our solution provider customers on delivery of our products and provide varying credit terms typically ranging from 60 to 90 days.

Sales of our products to wireless network solution provider customers including, but not limited to, ZTE, Nokia Siemens Networks and Alcatel-Lucent (but excluding sales to each of their overseas factories or inventory hubs), approximated RMB213.9 million, RMB311.4 million, RMB370.7 million and RMB316.8 million, or 59.3%, 49.6%, 55.3% and 50.2% of net sales, for the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, respectively.

BUSINESS

International Sales

Due to the increasing demand for our products by network operators and solution providers outside of China, as of the Latest Practicable Date, we have also established several international sales departments of totally 14 personnel.

We export and sell our antennas system products directly to Reliance, the second largest wireless network operator in India for deployment into its network construction projects. We also export and sell our antenna system and base station RF subsystem products directly to ITI, a network solution provider customer located in India. Our overseas sales also included sales to the overseas factories or inventory hubs of global network solution providers, such as Nokia Siemens Networks headquartered in Finland and Nortel Networks. In April 2008, we were also qualified as an approved supplier for Vodafone. However, since the recent global financial and economic crisis, one of our customers, Reliance, has significantly delayed or decreased its orders with us in 2008 and 2009 while 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 during the period.

Since 2006, we also engage independent distributors in countries or regions where we have limited sales presence or access to local customers, such as Vietnam, Indonesia, Egypt and Mexico. Our distributors place purchase orders for their own accounts or for their affiliates’ accounts, where the title of the products passes upon the delivery of the products to the distributors or the payment of the purchase price for our products, depending on the purchase order. In turn, the distributors resell such products to their local customers. Compared to our direct sales to local customers, where we would provide technical support directly to the local customers, the arrangement between us and our distributors usually requires us to provide technical training, assistance or advice to the distributors, which in turn, enable the distributors to provide technical support to their local customers. We select our distributors based on their ability to obtain purchase orders from local network operators, including their business relations with the local network operators, strength of their sales network, length of operation in the telecommunication industry and credibility. The following table sets forth our direct sales to overseas customers compared with overseas distributors during each of the periods indicated.

	For the Year Ended December 31,			For the Eight Months Ended August 31,	
	2006	2007	2008	2008	2009
Direct sales to overseas customers	41,393	231,282	199,474	160,925	48,222
Sales to overseas distributors	<u>311</u>	<u>2,253</u>	<u>5,388</u>	<u>4,335</u>	<u>3,073</u>
Total	<u>41,704</u>	<u>233,535</u>	<u>204,862</u>	<u>165,260</u>	<u>51,295</u>

We believe quick response time and localized technical support continue to be the key to our expansion. To that end, in addition to carefully selecting the qualified local distributors with service support capabilities, we also send account managers and engineers abroad to provide hands-on support. We intend to increase the number of our service personnel available or provide further training to our local agents.

BUSINESS

SUPPLIERS OF RAW MATERIALS AND COMPONENTS

We purchase from third parties raw materials and components necessary to produce our RF products. These include electronic components, metal cases for modules, electronic cables, packaging materials and other accessories. We source most of our raw materials and components inside China except for some equipment that we import from overseas, such as the network analyzers. We procure raw materials and components from companies that have satisfied our supplier review. Our purchases are paid in Renminbi. Our suppliers generally issue invoices several weeks to two months after the delivery of the raw materials and components we ordered and we typically have credit terms of 90 days. Beginning from the second quarter of 2008, we began to negotiate with our suppliers for payment by 90-days bank acceptance notes, which further extended our payment period. As we have an extensive list of suppliers, we do not rely on any single supplier or group of suppliers to provide any of our raw materials or components. For the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, we purchased approximately RMB295.4 million, RMB495.1 million, RMB540.8 million and RMB463.2 million worth of raw materials and components from third party suppliers. For the years ended December 31, 2006, 2007, 2008 and the eight months ended August 31, 2009, purchases from our top five suppliers together accounted for approximately 37.2%, 33.0%, 31.3% and 26.8% of our total purchases of raw materials and components, respectively, while the largest supplier accounted for approximately 22.0%, 17.8%, 10.4% and 7.9%, respectively. See "Our Relationship with Certain Customers and Suppliers — Our Relationship with Certain Suppliers" for further details regard our relationship with certain suppliers.

COMPETITION

The wireless communications infrastructure equipment industry is extremely competitive and is characterized by rapid technological change, new product development, rapid product obsolescence, evolving industry standards and significant price erosion over the life of a product, among other factors. We aim to compete on the basis of the following key characteristics: brand, functionality, reliability, pricing, quality, design that can be efficiently manufactured in large volumes, time-to-market delivery capabilities and compliance with industry standards.

The issuance of 3G operator licenses in China on January 7, 2009 has altered the competitive landscape between antenna systems, base station RF subsystems and coverage extension solution providers as the technical expertise required by 3G networks is generally greater. In particular, the adoption of the home-grown 3G protocol, TD-SCDMA, has increased the technology gap between the PRC domestic suppliers and overseas suppliers, as the PRC domestic suppliers generally have better know how in producing the related products for a home grown technology. Notwithstanding, new competitors may enter the PRC market in response to the deployment of the TD-SCDMA networks over time; also, competitors may form alliances and consortiums focusing on certain 3G protocols.

We have the ability to provide total customer solutions, including virtually all components of the RF path of a wireless network infrastructure through our product offerings in the antenna system, base station RF subsystem and coverage extension product groups. This allows us to better meet the performance and cost efficiency requirements of our customers. We also believe that we differentiate ourselves by offering superior product quality, service and continual technological enhancement. While we believe that few of our competitors in China can match the breadth our complete product offering, we face several strong competitors on a global level. In addition, within China, we have yet to achieve a leading position among the coverage extension solution providers, where the competition is based on factors such as the availability of personnel for equipment installation and field services.

We compete with both foreign and PRC domestic companies in a rapidly consolidating market. In the PRC, our principal competitors include Comba and Xian Haitian, with respect to antenna system products for PRC domestic network operator customers, Grentech and Fingu, with respect to base station RF subsystem products. We are one of the few RF suppliers that can offer one-stop base station RF products to both network operators and network solution providers, covering all major wireless communication standards and protocols, including GSM, CDMA, TD-SCDMA, W-CDMA and

BUSINESS

CDMA2000. Many of our domestic competitors, such as Comba and Grentech, generate the majority of their revenues from products in the indoor and outdoor coverage solution group, such as repeaters, offered to PRC network operators. On a global level, our current competitors also include CommScope/Andrew, Powerwave and Kathrein-Werke. Some of our competitors have significantly greater financial, technical, manufacturing, sales, marketing and other resources than us and have achieved greater name recognition for their existing products and technologies than we have. We cannot guarantee that we will be able to successfully increase our market penetration or our overall share of the wireless communication infrastructure equipment market place.

REAL PROPERTY

As of the Latest Practicable Date, our factories, dormitories and offices have a total gross floor area of approximately 99,156.9 square meters. For details of our properties, please refer to the Property Valuation Report in Appendix IV to this Web Proof Information Pack.

Our owned properties

As of the Latest Practicable Date, we held the relevant long-term land use right certificates for the property interests held and occupied by us in the PRC. We have obtained the building ownership certificate for Nanshan manufacturing facility (property numbered 1 in the Property Valuation Report), our principal place of business in the PRC, which is being used for manufacturing, office, research and development purposes. As advised by our legal advisers as to PRC laws, pursuant to the Regulations of Shenzhen Special Economic Zone on Hi-Tech Industrial Park promulgated by the Standing Committee of the Shenzhen Municipal People's Congress on September 26, 2006, where an enterprise acquires land and buildings in the Hi-Tech Industrial Park in Shenzhen Special Economic Zone by means of agreement, the land use rights and building ownership rights of the properties acquired cannot be transferred or leased and cannot be pledged as security without the prior approval from Shenzhen Land Bureau. Accordingly, as Nanshan manufacturing facility is located in the Hi-Tech Industrial Park of Shenzhen Special Economic Zone and the land use rights were acquired by entering into a supplemental agreement between MOBI Shenzhen and Shenzhen Land Bureau on June 14, 2005, the land use rights and the building ownership rights of Nanshan manufacturing facility cannot be transferred or leased and cannot be pledged as security without pre-approval from Shenzhen Land Bureau.

With respect to our Jizhou manufacturing facility (property numbered 2 in the Property Valuation Report), construction of this property is completed in 2009. We have obtained the building ownership certificates of this property in November 2009.

In 2009, we have a new manufacturing facility and research and development center in Xian (property numbered 3 in the Property Valuation Report). We have obtained the building ownership certificates of this property in October 2009.

Our 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

BUSINESS

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. Our legal advisers as to PRC laws are of the view that the lack of the relevant building ownership certificates or other proof of ownership may 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 the support of 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 agreement.

Our Directors consider that the absence of title certificates with respect to the relevant leased properties will not have a material adverse effect on our business. None of our dormitories or factories without building ownership certificates is crucial to our operations. The five leased properties used as dormitories did not contribute to any of our turnover or profits during 2006, 2007, 2008 and the eight months ended August 31, 2009. Although we have requested such third party landlords to either obtain the relevant ownership certificates or provide proof of ownership to us, their decision on whether to undertake these efforts is beyond our control. 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. Given the ample supply of leasehold properties for dormitory use in Shenzhen, which properties are available for lease within a similar rental range with little leasehold improvement required, we estimate the relocation of dormitories can be achieved within one week at minimal additional cost to us.

Pursuant to a deed of indemnity dated [●], 2009, the Beneficial Owners and Fangyi Holdings, our single largest shareholder with equity interests in approximately 29.86% of our entire issued share capital after Listing, have jointly and severally given indemnities in favour of us (for ourselves and as trustee for our subsidiaries) for any claims, damages, losses, liabilities, costs (including cost of relocation), expenses, actions and proceedings incurred or suffered, or which may be incurred or suffered, by us in respect of the use of any of those leased properties of our Group in the PRC in respect of which the relevant landlords have not yet obtained the relevant building ownership certificates or provided proof of ownership to us.

Recent lease renewals and relocation of our manufacturing facilities

As the lease agreement of the dormitory in Shenzhen (property numbered 10 in the Property Valuation Report) expired on August 31, 2009, we have renewed our lease agreement to August 31, 2010.

The lease agreements for properties numbered 4, 5 and 6 in the Property Valuation Report will expire on November 30, 2009. We will relocate our manufacturing facilities and dormitories in Chaguang Industrial Park (properties numbered 4, 5 and 6 in the Property Valuation Report) to Runheng properties (properties numbered 11 and 12 in the Property Valuation Report) by the end of November 2009. The lessors of Runheng properties have provided the relevant proof of ownership and the tenancy agreements have been registered.

In addition, we also plan to relocate our manufacturing facilities and dormitories in Pingshan Industrial Park (properties numbered 8 and 9 in the Property Valuation Report) to Runheng properties (properties numbered 11 and 12 in the Property Valuation Report) by the end of year 2009. The manufacturing facilities in Chaguang and Pingshan is expected to be centralized in Runheng by the end of year 2009.

BUSINESS

In October 2009, the Runheng properties (properties numbered 11 and 12 in the Property Valuation Report) are under renovation and they will be available for relocation by November 2009. The relocation will be taken place in two stages. Chaguang facilities (properties numbered 4, 5 and 6 in the Property Valuation Report) will be relocated first in November 2009 whereas Pingshan facilities (properties numbered 8 and 9 in the Property Valuation Report) will be moved in December 2009. The relocation of both properties will be completed within one week. During the relocation, the Group will adjust the production among its manufacturing facilities in Shenzhen, Jian and Xian such that there is no significant disruption of our operation. The estimated relocation costs are approximately 0.6% of the net profit of the Group for the eight months ended August 31, 2009 and the estimated renovation expenditures to be incurred with an increase of about 65.6% of gross floor area in Runheng properties as compared with the total gross floor area in Chaguang and Pingshan properties are approximately 1.0% of the net asset value of the Group as at August 31, 2009. Accordingly, we expect that the impact of such relocation on the Company's operations and financial position is minimal.

Our legal advisers as to PRC laws have advised us that based on our lease agreements for manufacturing facilities, should we desire to continue to lease our manufacturing facilities, we have a preemptive right under the relevant lease agreements to renew such leases with prior notice (notice period varies from one to three months depending on the tenancy agreements) on identical terms offered by third parties.

As of the Latest Practicable Date, our manufacturing facilities have a total gross floor area of approximately 92,460.89 square meters. The details are listed as follows:-

Property number in the Property Valuation Report	Location	Gross floor area (sq.m.)	Nature of ownership	Remarks
1	MOBI Building, 7 Langshan First Road, Science and Technology Park, Nanshan District, Shenzhen, Guangdong Province	16,411.98	Owned	Land use rights expire on June 19, 2050
2	Jizhou Industrial Park, Jizhou District, Jian, Jiangxi Province	8,943.60	Owned	Land use rights expire on July 25, 2056
3	6 Shuoshi Road, New Type Industrial Park, Xian, Shannxi Province	10,829.31	Owned	Land use rights expire on March 12, 2058
4	No. 15 Factory Building, Xili Chaguang Industrial Park, Shahe Road West, Nanshan District, Shenzhen, Guangdong Province	11,160.00	Leased	To be relocated to Runheng by the end of November 2009

BUSINESS

Property number in the Property Valuation Report	Location	Gross floor area (sq.m.)	Nature of ownership	Remarks
9	Levels 1 and 2 of Block 3, Taoyuan Pingshan Minqi Industrial Park, Lishui Road, Nanshan District, Shenzhen, Guangdong Province	3,810.00	Leased	To be relocated to Runheng by the end of 2009
12	Blocks 2 and 3, Runheng Electronics Factory, Liu Xiao Er Road, Xin'an Street, Bao'an District, Shenzhen, Guangdong Province	23,900.00	Leased	Lease expires on September 24, 2014
13	Block 1, Zhongxin Industrial Park, Jian, Jiangxi Province	12,111.70	Leased	Lease expires on February 28, 2011
14	Blocks 5 to 7, Jizhou Industrial Park, Jian, Jiangxi Province	5,294.30	Leased	Lease expires on April 30, 2010

INTELLECTUAL PROPERTY

We rely on confidentiality agreements and other protections of our technical know how to maintain our technical advantages in RF technology and solution design. We also expect to rely on patents and copyrights to protect our proprietary technologies. We have entered into confidentiality agreements with our employees. Our senior employees and employees who work in our research and development center and other technical departments are required to sign agreements acknowledging that we own the rights to all technology, inventions, trade secrets, works of authorship, developments and other processes generated in connection with their employment with us or their use of our resources or relating to our business or our property and that they must assign any ownership rights that they may claim in those works to us. We have also included confidentiality clauses in our sales and purchase contracts with some customers.

As of the Latest Practicable Date we have 122 registered patents and 38 pending patent applications with the Patent Office of the SIPO with respect to our RF technology, including our antennas and RF devices. See Appendix VI — Statutory and General Information — 2. Further Information about the Business — 5. our intellectual property rights. We have not obtained any patents outside of China. We do not anticipate any material adverse impact to our operations or financial conditions should our pending patent applications not be granted by the Patent Office of the SIPO.

We have [six] trademarks registered with China's Trademark Office of the SAIC and [one] trademark registered with Hong Kong Trademark Registration Intellectual Property Department since 2003. As of the Latest Practicable Date, we have also filed applications for registration of [four] trademarks in China and [one] in Hong Kong. In addition, we are the registered owner of the domain name, www.mobi-antenna.com and www.mobile-antenna.com. Neither website is a part of this Web Proof Information Pack.

BUSINESS

Save as disclosed in the sub-section headed “Legal Proceedings” in this section, as of the Latest Practicable Date, we have not been sued for infringement of intellectual property rights by any third party. As substantially all of our business is currently conducted in China, we have not taken any action outside China to protect our intellectual property.

INSURANCE

While we do not maintain insurance for our fixed assets, beginning in 2006, we maintain product liability insurance for certain international customers with special needs. Maintenance of product liability insurance is not compulsory under PRC laws. As of the Latest Practicable Date, we had not received any material claims from our customers regarding any of our products. During 2006, 2007, 2008 and the eight months ended August 31, 2009, we have not received any claim from third parties in relation to the use of our products.

EMPLOYEES

As of August 31, 2009, we had a total of 2,281 full-time employees. A breakdown of our employees by function as of the same date is set forth below:

	Total
Management and administrative and operating support	445
Research and development staff	269
Manufacturing	1,443
Marketing	124
Total	<u>2,281</u>

In order to maintain quality, knowledge and skill levels of our employees, we place a strong emphasis on training. We provide training to our employees periodically, including introductory training for new employees, technical training, professional and management training, team-building and communications training.

We are also subject to various labor laws and regulations in the PRC including the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law (中華人民共和國勞動合同法), the Regulation of Insurance for Labor Injury (工傷保險條例), the Unemployment Insurance Law (失業保險條例), the Provisional Insurance Measures for Maternity of Employees (企業職工生育保險試行辦法), the Interim Provisions on Registration of Social Insurance (社會保險登記管理暫行辦法), the Interim Regulation on the Levy of Social Insurance Premiums (社會保險費征繳暫行條例) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time.

According to the above mentioned laws, regulations, rules and provisions, we must enter into labor contracts if labor relationships are to be established between our employees and members of us. We are also obliged to provide our employees with welfare schemes including pension insurance, medical insurance, injury insurance, unemployment insurance and maternity insurance.

MOBI Shenzhen, MOBI Jian and MOBI Xian are required to enter into labor contracts with their employees and contribute a specified percentage of the employee’s payroll costs to the social welfare scheme to fund the benefits. All contributions in relation to employee benefits have been adequately provided for during 2006, 2007, 2008 and the eight months ended August 31, 2009.

The retirement benefits scheme contributions made by us amounted to RMB1.1 million, RMB1.7 million, RMB2.5 million and RMB3.4 million for each of the three years ended December 31, 2006, 2007 and 2008 and the eight months ended August 31, 2009, respectively.

BUSINESS

Pre-IPO Options were granted on January 15, 2003 and August 31, 2005 to eligible persons (including our directors, officers, employees, and external consultants or advisors) under the Pre-IPO Stock Incentive Plans. Please refer to the section headed "5. Pre-IPO Options" in Appendix VI to this Web Proof Information Pack for further details. As of August 31, 2009, the number of Shares in respect of which Pre-IPO Options had been granted and remained outstanding was 5,124,000 (pre-Capitalization Issue) or 25,620,000 (post-Capitalization Issue).

No workers' union is set up within our Group, but the employees have the statutory right under PRC law to join or organize workers' unions in China. We have not experienced any significant difficulty in recruiting employees nor have we had any significant staff compensation or labor disputes during 2006, 2007, 2008 and the eight months ended August 31, 2009. We consider our relations with our employees to be good.

ENVIRONMENTAL, HEALTH AND SAFETY MATTERS

Environmental Issues

Our antenna 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 wireless network solution provider customers. We believe our network operator and wireless network solution provider customers, in turn, base their design and specification requirements on the laws and regulations governing the networks they are constructing. 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 designs and specifications of the products they ordered from us in order to comply with the RoHS directive.

Our operations are subject to various PRC environment related laws and regulations, including the PRC Environmental Protection Law (1989), the PRC Environmental Impact Assessment Law (2003), Measures for the Control of Pollution from Electronic Information Products and Corresponding Standards (2007) and the PRC Production Safety Law (2002). We believe that our manufacturing and research and development operations are in compliance with the environmental protection laws and regulations issued by the central, provincial and local governments of the PRC. We have also obtained certain environmental management system certificate, issued by UCS, a private certification organization, certifying that our design, manufacturing and sales service management activities on mobile communication antennas and RF devices are in conformity with ISO14001:2004 standard. The certificates are valid through October 7, 2012.

While our operation activities generate waste water and other wastes, we take steps to dispose of the wastes and by-products produced as a result of our operations in a manner that addresses environmental concerns. We have introduced an environmental manual in 2004. The manual covers, among other things, various environment-related assurance procedures, including procedures related to identification of environmental issues, compliance control, documentation, training of employees and emergencies, as well as, monitoring and mitigation.

In addition, we have implemented measures to address potential risks relating to environment and safety, such as (i) conducting trainings to enhance our employees' awareness of environmental protection and safety issues, (ii) to the extent feasible, using environmentally friendly techniques and components, (iii) monitoring the enforcement of our environmental protection programs, and (iv) monitoring the latest development in PRC environmental protection laws and regulations on a periodic basis. In order to prevent and mitigate safety risks, we have implemented a contingency response program to cope with various emergency situations such as fire and natural disasters. The program covers organizational procedures and responses in case of emergencies, drills, safety facility inspections, accident reporting and remediation.

BUSINESS

Our production operations are also subject to regulations and periodic monitoring by the State Environmental Protection Administration of the PRC and the relevant local government environmental protection authorities. Under the relevant PRC laws and regulations, we are required to submit an environmental impact assessment to the local environmental protection bureau for approval before undertaking construction of any new production facility or major expansion or renovation of an existing production facility. If any of our facilities is found to have engaged in activities that severely polluted or endangered the environment, the relevant authorities may impose penalties on us, as well as require us to restore the environment or remedy the effects of the pollution. Any failure to so restore or remedy within the prescribed time could result in our licenses being terminated.

We believe, and our legal advisers as to PRC laws are of the view, that we have complied with the applicable laws and regulations on environmental protection in all material respects and that, during 2006, 2007, 2008 and the eight months ended August 31, 2009, we were not in breach of such laws and regulations. As of the Latest Practicable Date, we had not been subject to any material fines or legal action involving non-compliance with any relevant environmental regulations. We are not currently aware of any threatened or pending action by any environmental regulatory authority in any of the jurisdictions in which we operate.

Our Group spent approximately RMB27,000, RMB41,000, RMB78,000 and RMB77,000 in the three years ended December 31, 2008 and eight months ended August 31, 2009 respectively on the implementation of environmental protection measures to ensure compliance of the applicable rules and regulations. Going forward, in the absence of significant changes to the existing environment protection rules and regulations we expect that the cost of compliance will be at a similar level as to previous years.

Labor and Safety Issues

We are subject to various safety laws and regulations in the PRC including the PRC Labor Law (中華人民共和國勞動法), the PRC Labor Contract Law (中華人民共和國勞動合同法), the Fire Control Law of the PRC (中華人民共和國消防法), the Production Safety Law of the PRC (中華人民共和國安全生產法) and other related regulations, rules and provisions issued by the relevant governmental authorities from time to time. According to the aforesaid laws, regulations, rules and provisions, we are required to establish a system for labor safety, abide by State rules and standards and provide relevant education and training to our employees.

To ensure compliance with the applicable law and regulations, our in-house legal counsel follow the updates and changes in all applicable labor and safety laws and regulations and advise our human resources department and relevant departments / committee of the Group on the same accordingly. The Group's human resources department, which is responsible for the formulation and implementation of human resources policies, will from time to time make adjustment, if necessary, to human resources policies to accommodate material changes to relevant labor and safety laws and regulations to ensure compliance with the same. Besides, we have established a production safety committee ("Committee") which is responsible for production safety and labor health and safety matters. The Committee is headed by the deputy general manager of production, who has over 9 years experience in the field of production safety and labor health and safety. Other members of the Committee include our in-house legal counsel and representatives from different departments of the Group. The Committee members meet regularly to review the Group's operations safety measures and production safety standards to ensure the Group's production safety policies comply with the requirements of the applicable laws and regulations from time to time. We will also seek legal advice from outside counsels on labor and safety related compliance matters as and when required.

To ensure the safety of our employees, we implement operational procedures and safety standards for our production process. We provide our employees with occupational safety education and training to enhance their awareness of safety issues. We also carry out equipment maintenance on a regular basis to ensure their smooth and safety operation.

BUSINESS

We confirm that our operations have all along been complying with the applicable labor and safety regulations in all material respects and the required measures under the applicable law and regulations do not have a material impact on our operations and financial position.

Health and Safety Issues

We have implemented various measures at our production facilities to promote occupational safety and to ensure compliance with applicable laws and regulations. For example, we conduct periodic inspections of our fire prevention equipment to ensure that all parts of our operations are in compliance with existing laws and regulations. As we believe that following safe practices is the best way to improve the capability of our employees to handle emergencies, we have established emergency action plans in response to fire and other emergencies.

Our operations are subject to occupational health and safety regulations set by the Ministry of Labor and Social Security and the relevant local government occupational health and safety authorities. We have established a series of safety guidelines, rules and procedures for different aspects of our production activities, including fire safety, warehouse safety, work-related injuries, electricity safety and emergency and evacuation procedures.

We confirm that our operations were in compliance with the applicable safety regulations in all material respects during 2006, 2007, 2008 and the eight months ended August 31, 2009. We believe we have established necessary measures to comply with the applicable health and safety laws and regulations. We have not encountered any safety-related accidents that had any material impact on our operations during 2006, 2007, 2008 and the eight months ended August 31, 2009. Further, as of the Latest Practicable Date, we have not received any health or safety related claims from any existing or ex-employees for any accident occurred during 2006, 2007, 2008 and the eight months ended August 31, 2009.

LEGAL PROCEEDINGS

In December 2004, MOBI Shenzhen was alleged to have infringed a utility model patent of Guangdong Tongyu Communications Equipment Co., Ltd., (formerly known as Zhong Shan Tongyu Communications Equipment Co., Ltd.) (“Tongyu”), which utility model patent is a type of waterproof feeder structure for omni-directional antennas. Subsequently, we made an application to the Patent Review Committee to invalidate that utility model patent. Thereafter, the Patent Review Committee invalidated Tongyu’s utility model patent in part, which ruling was then upheld by The Beijing First Intermediate People’s Court and The Beijing Superior People’s Court, respectively, within their jurisdiction. On September 3, 2007, The Intermediate People’s Court of Shenzhen issued a first instance verdict in the corresponding civil proceedings dismissing the allegation of patent infringement. On September 30, 2007, an appeal against such first instance verdict was filed with The Guangdong Superior People’s Court. On June 23, 2008, The Guangdong Superior People’s Court issued a final civil judgment to affirm the first instance decision and dismissed the allegation of patent infringement. MOBI Shenzhen was found not liable for any damages. On September 15, 2009, Tongyu filed an application for retrial with The Supreme People’s Court of the PRC. On November 2, 2009, the Company received a notice dated October 16, 2009 from The Supreme People’s Court of the PRC stating that the said retrial application was accepted. We have been advised by our legal advisers as to PRC laws that after acceptance of Tongyu’s application for retrial, The Supreme People’s Court of the PRC will review the application and make a decision as to whether to retry the case within three months from the date of the acceptance of the application. If The Supreme People’s Court of the PRC decides not to retry the case on the ground for retrial presented by Tongyu, the case will be closed unless Tongyu files a new retrial application based on other grounds. Any such new application for retrial must be made within 2 years from June 23, 2008, being the effective date of the final judgment issued by The Guangdong Superior People’s Court, or where the said judgment is revoked or modified after the said 2-year period and it is established that there had been misconduct by the personnel handling the original trial, within three months from the date Tongyu became aware of the same or should be aware of the same. If The Supreme People’s Court of the PRC decides to retry the case, it

BUSINESS

may retry the case by itself or order The Guangdong Superior People's Court or other Superior People's Court to retry it. In accordance with the retrial application, Tongyu seeks to revoke the final civil judgment granted by The Guangdong Superior People's Court and to claim an aggregate amount of RMB20 million as damages for infringement. As of the Latest Practicable Date, our legal advisers as to PRC laws estimated that in the event that Tongyu succeeds in its claim against us in the retrial and if the retrial court is unable to assess the amount of profits that had been earned by the patent in dispute, we may be exposed to a maximum potential liability, if any, of approximately RMB500,000 under the PRC laws. A provision of RMB500,000 was made as at August 31, 2009.

Pursuant to a deed of indemnity dated [●], 2009, the Beneficial Owners and Fangyi Holdings, our single largest shareholder, with equity interests in approximately 29.86% of our entire issued share capital, have jointly and severally given indemnities in favour of us (for ourselves and as trustee for our subsidiaries) for any claims, damages, losses, liabilities, expenses and proceedings incurred or suffered, or which may be incurred or suffered, by us in an aggregate amount exceeding RMB500,000 in respect of the aforesaid legal proceedings and other potential litigations.

Save as disclosed above, as at the Latest Practicable Date, there were no legal proceedings or arbitrations, pending or threatened, against us that could have a material adverse effect on our financial condition or results of operation.