
OUR RELATIONSHIP WITH CERTAIN CUSTOMERS AND SUPPLIERS

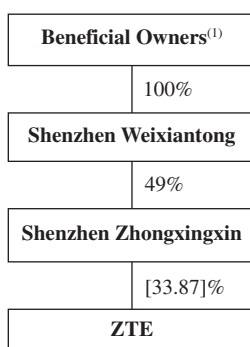
Our Relationship with Certain Customers

ZTE

ZTE is a company listed on the Main Board of the Stock Exchange (stock code: 00763) and on the Shenzhen Stock Exchange (stock code: 000063). The principal business of ZTE consists of design, development, production, distribution and installation of advanced telecommunications systems and equipment, including wireless communications systems, wireline switch and access equipment, optical and data communications equipment, handsets and telecommunications software systems and services.

ZTE is one of the largest companies listed in China that provides high-technology communication equipment, including PHS, GSM, CDMA, TD-SCDMA, W-CDMA and CDMA2000 wireless protocols, with annual revenue of RMB44 billion in 2008. As ZTE’s demand for RF products is strong and represents a good market share, our strong commercial relationship with ZTE as a global network solution provider, has made us continuously strive to improve our technology innovation, response cycle time of our research and development, product reliability and quality control system. This is beneficial for us to get into the markets of other global network solution provider customers, such as Nokia Siemens Networks.

Shareholding Structure of ZTE as of the Latest Practicable Date:



Note:

- (1) Each of the Beneficial Owners holds the same percentage of shareholding interest in Fangyi Holdings and Shenzhen Weixiantong.
- Our non-executive Director, Qu Deqian, has been one of ZTE’s five supervisors since 2005. Qu Deqian was during the period from June 2003 to January 2007 a director of Shenzhen Kanquan Electromechanical Company, a group company of ZTE, and has since March 2002 been a supervisor of Shenzhen Guoxin Electronic Development Co., Ltd., which is owned by ZTE as to 90% and by ZTE Kangxun Telecom Company, Limited as to 10%.
 - Zhou Susu, the spouse of Hu Xiang, has been the senior vice president of ZTE between 1999 and 2008 and currently a director of ZTE’s wholly-owned subsidiary, ZTE (H.K.) Limited.
 - As of the Latest Practicable Date, the Beneficial Owners had an indirect equity interest of approximately 16.6% in ZTE through their shareholdings in Shenzhen Weixiantong. Shenzhen Weixiantong owns 49% shareholding interest in Shenzhen Zhongxingxin, which in turn had approximately 33.87% shareholding interest in ZTE as of the Latest Practicable Date.

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- Our Directors, Hu Xiang, Xing Qibin and Qu Deqian, are members of the Beneficial Owners and together held approximately 5.60% shareholding interests in Shenzhen Weixiantong as of the Latest Practicable Date. Therefore Hu Xiang, Xing Qibin and Qu Deqian have indirect shareholding interests in ZTE through their shareholding interests in Shenzhen Weixiantong.
- The direct and indirect equity interests of the Beneficial Owners in ZTE are minimal and diverse and do not render ZTE a connected person of our Group for the purpose of the Listing Rules.

We have been selected as a supplier by ZTE through its ordinary procurement procedures which include selection criteria such as price, quality, delivery time and customization services. ZTE pays by way of draft with maturity of less than 150 days after 60 days of receiving our invoice. Our Directors confirm that such sales are conducted on normal commercial terms during and after 2006, 2007, 2008 and the eight months ended August 31, 2009 and that there are no undisclosed transactions conducted between us and ZTE during 2006, 2007, 2008 and the eight months ended August 31, 2009. Except through the Beneficial Owners, none of the shareholders of ZTE are otherwise related to us or our shareholders as of the Latest Practicable Date. Except as described in the above, there is no overlapping management between us and ZTE and none of our Directors, their respective associates, or to the knowledge of our Directors, shareholders who will own more than five percent of the issued shares capital of our Company immediately following the Global Offering had any interest in any of the five largest customers of our Company during 2006, 2007, 2008 and the eight months ended August 31, 2009.

The table below sets forth the amount ZTE purchased from us in absolute terms and as a percentage of our revenue for the periods indicated. There are no other undisclosed transactions between us and ZTE during 2006, 2007, 2008 and the eight months ended August 31, 2009.

	For the Year Ended December 31,						For the Eight Months Ended August 31,	
	2006		2007		2008		2009	
	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%	<i>RMB</i>	%
	<i>(in millions, except percentages)</i>							
ZTE	166.8	46.2%	248.5	39.6%	237.3	35.4%	231.9	36.7%

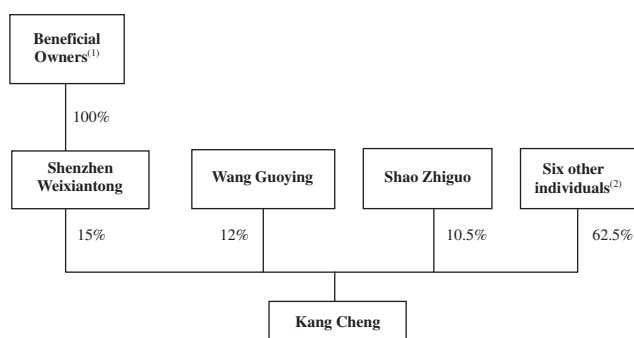
Our Relationship with Certain Suppliers

Components of RF devices such as cavity are the integral parts of RF devices and are vital to the quality of such products. As RF devices are customized to each customer, strong commercial relationships with reliable suppliers of good quality, quick response time, punctual delivery and competitive prices are beneficial to our business development. Each of Kang Cheng, Shenglongfeng and Zhongxingxindi is our qualified supplier.

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Kang Cheng

Shareholding Structure of Kang Cheng as of the Latest Practicable Date:



Notes:

- (1) Each of the Beneficial Owners holds the same percentage of shareholding interest in Fangyi Holdings and Shenzhen Weixiantong.
- (2) These individuals are not connected (within the meaning of the Listing Rules) with any Beneficial Owners, Directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates.

Kang Cheng is one of our top five suppliers during 2006, 2007, 2008 and the eight months ended August 31, 2009 and is engaged in computer numerical controlled lathe design, manufacture, sales and precision machine processing.

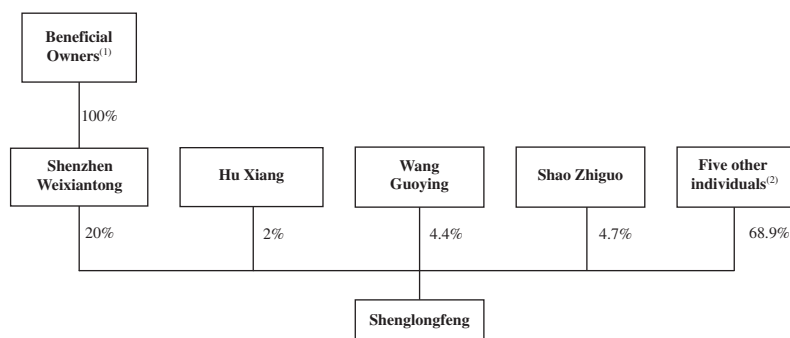
- Hu Xiang and Wang Guoying, our two executive Directors, and Shao Zhiguo, our vice president, made up three of the five members of the board of directors until their resignation on June 15, 2007. Hu Xiang was the legal representative of Kang Cheng until his resignation on May 16, 2007.
- During 2006, 2007, 2008 and the eight months ended August 31, 2009, Wang Guoying and Shao Zhiguo each directly maintained approximately 12.0% and 10.5% equity interest in Kang Cheng. Hu Xiang held 13% equity interest in Kang Cheng until July 16, 2007, he transferred his entire equity interest in Kang Cheng to an independent third party.
- The Beneficial Owners have an indirect equity interest in Kang Cheng through their shareholdings in Shenzhen Weixiantong. Shenzhen Weixiantong was a 15% shareholder of Kang Cheng as of the Latest Practicable Date.
- Hu Xiang, Xing Qibin and Qu Deqian, as members of the Beneficial Owners, have indirect shareholding interests in Kang Cheng through their shareholding interests in Shenzhen Weixiantong.
- The direct and indirect equity interests of the Beneficial Owners and Shao Zhiguo in Kang Cheng are minimal and diverse and do not render Kang Cheng a connected person of our Group for the purpose of Listing Rules.

OUR RELATIONSHIP WITH CERTAIN CUSTOMERS AND SUPPLIERS

Shenglongfeng

Shenglongfeng is one of our top five suppliers for the years 2007 and 2008 and is engaged in the manufacturing of connectors, including RF connectors and cable assemblies.

Shareholding Structure of Shenglongfeng as of the Latest Practicable Date:



Notes:

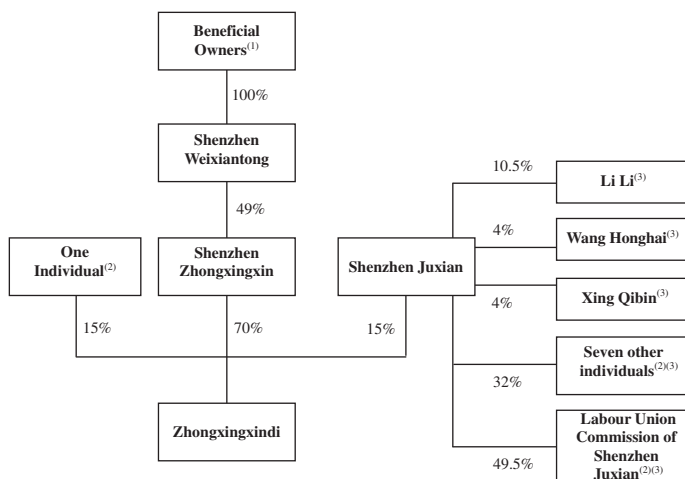
- (1) Each of the Beneficial Owners holds the same percentage of shareholding interest in Fangyi Holdings and Shenzhen Weixiantong.
 - (2) These individuals are not connected (within the meaning of the Listing Rules) with any Beneficial Owners, Directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates.
- During 2006, 2007, 2008 and the eight months ended August 31, 2009, Hu Xiang, Wang Guoying and Shao Zhiguo have directly maintained on an individual basis approximately 2.0%, 4.4% and 4.7% equity interest in Shenglongfeng.
 - As of the Latest Practicable Date, the Beneficial Owners had an indirect equity interest of 20% in Shenglongfeng through their shareholdings in Shenzhen Weixiantong. Shenzhen Weixiantong was a 20% shareholder of Shenglongfeng as of the Latest Practicable Date.
 - Hu Xiang, Xing Qibin and Qu Deqian, as members of the Beneficial Owners, have indirect shareholding interests in Shenglongfeng through their shareholding interests in Shenzhen Weixiantong.
 - Neither our Directors nor the Beneficial Owners have any management presence in Shenglongfeng during 2006, 2007, 2008 and the eight months ended August 31, 2009 or after the Listing.
 - The direct and indirect equity interests of the Beneficial Owners in Shenglongfeng are minimal and diverse and do not render Shenglongfeng a connected person of our Group for the purpose of Listing Rules.

OUR RELATIONSHIP WITH CERTAIN CUSTOMERS AND SUPPLIERS

Zhongxingxindi

Zhongxingxindi is one of our top five suppliers for the year 2006 and is engaged in precision machine processing and manufacture of telecom equipment.

Shareholding Structure of Zhongxingxindi as of the Latest Practicable Date:



Notes:

- (1) Each of the Beneficial Owners holds the same percentage of shareholding interest in Fangyi Holdings and Shenzhen Weixiantong.
 - (2) These individuals/entities are not connected (within the meaning of the Listing Rules) with any Beneficial Owners, Directors, chief executive, substantial shareholders of our Company, its subsidiaries or any of their respective associates.
 - (3) These individuals/entities hold the equity interests of Shenzhen Juxian on trust for certain of ZTE’s employees (excluding its directors, supervisors and senior management).
- As of the Latest Practicable Date, the Beneficial Owners had an indirect equity interest of approximately 34.30% in Zhongxingxindi through their shareholdings in Shenzhen Weixiantong. As of the Latest Practicable Date, Shenzhen Weixiantong owned 49% shareholding interest in Shenzhen Zhongxingxin, which in turn had a 70% shareholding interest in Zhongxingxindi.
 - Li Li, Wang Honghai and Xing Qibin (our non-executive Director), who are members of the Beneficial Owners, held in total approximately 18.5% equity interests in Shenzhen Juxian Investment Company (深圳市聚賢投資有限公司) (“Shenzhen Juxian”) in trust for certain of ZTE’s employees (excluding its directors, supervisors and senior management) as of the Latest Practicable Date. None of the Beneficial Owners are beneficiaries under the above-mentioned trust arrangement. Shenzhen Juxian was a 15% shareholder of Zhongxingxindi as of the Latest Practicable Date.
 - Our Directors, Hu Xiang, Xing Qibin and Qu Deqian, as members of the Beneficial Owners, had indirect shareholding interests in Zhongxingxindi through their shareholdings in Shenzhen Weixiantong as of the Latest Practicable Date.

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- Two of the members of the Beneficial Owners were legal representative and director, and director of Zhongxingxindi respectively during the period from the establishment of Zhongxingxindi to September 23, 2008 and May 22, 2008 respectively.
- The direct and indirect equity interests of the Beneficial Owners in Zhongxingxindi are minimal and diverse and do not render Zhongxingxindi a connected person of our Group for the purpose of Listing Rules.

During 2006, 2007, 2008 and the eight months ended August 31, 2009, the foregoing suppliers have been selected by us through our ordinary procurement procedures that include selection criteria such as price, quality and delivery time. For Kang Cheng, Shenglongfeng and Zhongxingxindi, the payment terms are 90 days following issuance of our invoices. Our Directors confirm that such purchases are conducted on normal commercial terms during 2006, 2007, 2008 and the eight months ended August 31, 2009 and will continue to do so after the Listing. Except as described above, there is no overlapping management between us and each of Kang Cheng, Shenglongfeng and Zhongxingxindi and none of our Directors, their respective associates, or to the knowledge of the Directors, shareholders who will own more than 5% of our issued share capital immediately following the Global Offering had any interests in any of our five largest suppliers during 2006, 2007, 2008 and the eight months ended August 31, 2009.

The table below sets forth the amount we purchased from Kang Cheng, Shenglongfeng and Zhongxingxindi in absolute terms and as percentage of our total purchase for the periods indicated. There are no other undisclosed transactions between us and each of Kang Cheng, Shenglongfeng and Zhongxingxindi during 2006, 2007, 2008 and the eight months ended August 31, 2009.

	For the Year Ended December 31,						For the Eight Months Ended August 31,	
	2006		2007		2008		2009	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(in thousands, except percentages)</i>							
Kang Cheng	64,954	22.0%	87,985	17.8%	55,987	10.4%	36,401	7.9%
Shenglongfeng	4,814	1.6%	16,478	3.3%	22,934	4.2%	8,260	1.8%
Zhongxingxindi	9,301	3.1%	16,126	3.3%	9,550	1.8%	6,145	1.3%

CORPORATE GOVERNANCE MEASURES

The articles of our subsidiaries currently do not require purchase and supply transactions in the ordinary course of business be approved by the directors of such subsidiaries. As confirmed by our legal advisers as to PRC laws, there are no PRC laws or regulations which require that purchase and supply transactions in the ordinary course of business be approved by the board of directors of a PRC domestic company. Our management staff, which is responsible for the day to day operations (including the approval of purchase and supply transactions), is independent from the Beneficial Owners. Any potential conflicts of interest that may arise between our Directors or our senior management and each of ZTE, Kang Cheng, Zhongxingxindi and Shenglongfeng relate to their direct or indirect shareholding interests in the foregoing companies and the facts that Qu Deqian, our non-executive Director is ZTE’s supervisor and Zhou Susu, the spouse of Hu Xiang has been the senior vice president of ZTE between 1999 and 2008, and is currently a director of one of ZTE’s wholly-owned subsidiary. The foregoing interests do not affect the ability of our Directors and senior management to allocate sufficient time to manage our affairs. While Hu Xiang, Wang Guoying and Shao Zhiguo were previously directors of Kang Cheng, all of them resigned from such directorships as of June 15, 2007.

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Following the Listing and for so long as our securities are listed on the Stock Exchange, to ensure that (a) our transactions are on fair and normal commercial terms, (b) the interests of the independent shareholders will be adequately protected and (c) the conflicts of interest are avoided or adequately managed, a system of corporate governance with the following principal components will be implemented by us:

- (i) As part of our preparation for the Global Offering, we have amended our memorandum and articles of association to comply with the Listing Rules and to tighten our corporate governance. For so long as any Directors are interested in any transaction (including transactions between our Company and each of ZTE, Kangcheng, Zhongxingxindi and Shenglongfeng (together with any company in which our controlling shareholder or its shareholders, individually or collectively, owns a direct or indirect equity interest of 10% or above, the “Relevant Companies”), a relevant board meeting attended by disinterested Directors who have no interest in the matter shall be held to decide on the matter. Our Directors shall declare any interest they may have in a transaction. We will also conduct background check to ensure all interests of our Directors are fully disclosed.

The amended and restated Articles adopted by our shareholders on November 25, 2009 provide that where any Director or his/her associates has an interest in a matter, he may not vote on the resolutions of the Board approving the matter and shall not be counted towards the quorum for voting as required under the Listing Rules. Furthermore, such Director will be required to be physically absent from the relevant session of the Board meeting before the disinterested Directors discuss and decide on the matter, unless he is required to be present by resolution of the disinterested Directors. Further, even if a Director who has a conflict of interests is invited to attend the relevant session of the meetings of our board of directors for discussing and approving transactions of our Group in which he has an interest, such Director may not vote and shall not be counted towards the quorum for voting on the relevant transactions.

- (ii) Any transaction that is proposed between our Group and any of our connected persons will be required to comply with the Listing Rules.
- (iii) In addition to the requirements prescribed under the Listing Rules, we have adopted a more stringent system described below, to avoid potential conflict of interests respecting our transactions with any of our connected persons or the Relevant Companies.
 - (a) We will, without prejudice and in addition to complying with the applicable requirements set forth in the Listing Rules and other applicable laws and regulations, require that any transactions with any of our “connected persons” (as defined in the Listing Rules) be approved by way of a resolution passed by a majority of (1) our non-executive Directors and (2) the independent non-executive Directors, provided that any non-executive Director or independent non-executive Director interested in the transactions in question will declare his or her interest and will abstain from voting on such matters;
 - (b) in the event that any Director has a conflict of interest, such Directors will not participate or be involved in matters relating to the relevant continuing connected transactions between us and any of our connected persons or any transaction with any Relevant Company; and

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- (c) the disinterested Directors, and in particular, the independent non-executive Directors, will participate in monitoring the conduct of and operations in relation to transactions between us and any of our connected persons or any Relevant Company and will not solely rely on information in relation to such transactions provided by Directors and others who are not so disinterested.
- (iv) Monitoring, review and management of any continuing connected transactions of our Group and any of our transactions with the Relevant Companies will be assigned to the Executive Committee comprising our chief financial officer (initially Chen Zhaojun) and deputy financial officer (initially Lee Wai Kuen), who will be responsible for all matters relating to these transactions under the supervision of the Supervisory Committee.
- (v) The Supervisory Committee, comprising three independent non-executive Directors (each of whom shall not have any interest in the transaction under consideration by the Supervisory Committee or be in a position of conflict of interest when acting in such capacity), has been established by our board of directors with the following primary responsibilities:
 - (a) to review and approve the terms and conditions, in particular the pricing formulae and other major commercial terms (including credit terms) as set out in any agreement governing any continuing connected transactions or transactions with the Relevant Companies from time to time entered or to be entered into by us (collectively, the “Master Agreements”) whether on a first-time basis or following expiry of the existing agreements;
 - (b) to devise and then twice a year to review detailed rules and guidelines (“Prescribed Guidelines”) for the Executive Committee to follow in order to ensure that the continuing connected transactions or transactions with the Relevant Companies will be entered into in accordance with the respective Master Agreements, on normal commercial terms and on terms that are fair and reasonable and in the interests of our shareholders as a whole;
 - (c) to review twice a year the semi-annual reports submitted by the Executive Committee in relation to the execution of transactions as to whether they have been implemented in accordance with the Master Agreements (the “Executive Committee Semi-annual Report”), which will be published on our Company’s website;
 - (d) should the Supervisory Committee consider necessary and appropriate, it may, at our cost, engage independent professional adviser(s) to assist in reviewing the terms of any of our continuing connected transactions or transactions with the Relevant Companies;
 - (e) to report its findings during its review of the Executive Committee Semi-annual Report to our board of directors and to give recommendations to the Board to ensure that transactions will be entered into in our interests and our shareholders as a whole; and
 - (f) to review on a semi-annual basis our supplier procurement bidding documents and internal procurement procedures, and to ensure that the terms therein are followed.
- (vi) Our Company shall disclose the decisions, findings and recommendations on transactions reviewed by the Executive Committee and the Supervisory Committee, including our transactions with the Relevant Companies, in our interim and annual reports.

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- (vii) Our auditors will be engaged to review our continuing connected transactions on an annual basis and report to the Supervisory Committee the result of their review. Such report shall be in compliance with the requirements in the Listing Rules.
- (viii) We shall select our suppliers pursuant to our ordinary procurement procedures that include selection criteria such as price, quality, delivery time and customization services, and shall select our suppliers based on principles of fairness and equality regardless of any interest our Director(s) or direct or indirect shareholder(s) may have in such suppliers. With respect to any tender process of our customers, we shall respond to such tender on an arm’s length basis only and in particular without regard to any interest which any of our Director(s) or direct or indirect shareholder(s) may have in such customers. The Executive Committee under the supervision of the Supervisory Committee will ensure that we select our suppliers and transacts with customers in compliance with this paragraph.
- (ix) With respect to any of our supply or purchase transactions with connected persons, Relevant Companies or where any Director has a direct or indirect interest, the Executive Committee shall keep a record of the material terms of supply or purchase transactions (including without limitation price, quantity, quality and credit terms). The Executive Committee shall from time to time compare such terms with those of independent third party customers or suppliers as designated by the Supervisory Committee to ensure that all supply or purchase transactions are being conducted in the ordinary course of business and on normal commercial terms. The Executive Committee shall also obtain pricing and other related information on items of supplies or purchases with similar specifications prevailing in the market for comparison purpose.
- (x) We have appointed First Shanghai Capital as our compliance adviser, who will provide advice and guidance to us in respect of compliance with the Listing Rules and all other applicable laws, rules, codes and guidelines (including various requirements relating to directors’ duties and internal control).
- (xi) We believe our independent non-executive Directors are of sufficient caliber, are free of any business or other relationship that could interfere in any material manner with the exercise of their independent judgment and able to provide an impartial, external opinion to protect the interests of our public shareholders. Background of our independent non-executive Directors are set out in the section headed “Directors and Senior Management” to this Web Proof Information Pack.

As part of our preparation for the Global Offering, we have amended our memorandum and articles of association to incorporate the corporate government measures described in paragraphs (i) to (ix) above. Our Directors consider that the above system of corporate governance is sufficient to avoid any potential conflict of interest in connection with our transactions and to protect the interests of our minority shareholders.