HISTORY AND DEVELOPMENT

Establishment of the Group

The Company has been listing on the main board of SGX-ST since 21 November 2007. The Group was established in 2002 with the incorporation of Elastic Glory and State Tech. Elastic Glory was incorporated and owned as to 45% and 55% by Ms. Wang Tao and an Independent Third Party in September 2002. State Tech, being a wholly-owned subsidiary of Elastic Glory, was established for engaging in the procurement and trading of electronic components and mobile handset.

In 2005, Mr. Wang joined and became one of the controlling shareholders of the Group by acquiring 55% shareholding interest in Elastic Glory from its then shareholder, an Independent Third Party, on 8 June 2005. After Mr. Wang's participation in the Group's management and development, the Group started to develop more mobile handset solution and application business and recorded an increment in revenue from the provision of mobile handset solution and application for the financial year ended 31 March 2006.

Co-operation with Zhenhua Technology

In 2006, the management of the Group identified that the mobile handset distributors were playing an increasingly important role in the mobile handset industry, but both such distributors and the Group were not licensed manufacturers of mobile handset at that time. Therefore, the Group formed a strategic alliance and made a co-operation arrangement with Zhenhua Technology, which is a licensed mobile handset manufacturer in the PRC. Under such strategic alliance, the Group was responsible for procuring co-operation between its distributor customers and Zhenhua Technology. The Group would study and modify the product definitions created by its distributor customers before presenting them to Zhenhua Technology, whom would decide whether to agree to participate in the particular project, or might further modify the parameters such that the resultant handsets match their product development and marketing plan. Once the co-operation was agreed by Zhenhua Technology and the Group's distributor customers, the Group would then carry out product development and provide technical support to Zhenhua Technology for the production of the mobile handset. The Group would implement quality control measures during the course of product development and, if required, provide hardware procurement services, to ensure that the Group's solutions satisfy the quality standards set down by the relevant authorities in the PRC and Zhenhua Technology on one hand and comply with the product definitions as agreed by Zhenhua Technology and the Group's distributor customers on the other hand. The finished mobile handset would be sold to customers through the sales network of the Group's distributor customers and Zhenhua Technology. While the Group was responsible for the design of the mobile handset, Zhenhua Technology was responsible for the manufacturing of the mobile handset. The distributor customers then sold the products, which is registered under the brand name "OBEE" owned by Zhenhua Technology through their sales network. During the whole process, the Group only rendered services in the provision of design services of mobile handset, in form of solutions. As such, the Group's revenue derived from the co-operation with Zhenhua Technology mainly related to the Solution Segment.

After the establishment of Tongqing by the Group, the Group is able to assemble the mobile handset under its own production capacity. Such development of the Group lessen the Group's reliance on the aforementioned co-operation arrangement with Zhenhua Technology, however Zhenhua Group remains as one of the major suppliers of the Group in supply of mobile handset and mobile handset components during the Track Record Period.

In March 2006, the Group, together with Zhenhua Technology and Full Wealth (Hong Kong) Limited, jointly established Zhenhua Obee, which was owned as to approximately 43%, 42% and 15% by Zhenhua Technology, Elite Link, an investment holding company and a wholly-owned subsidiary of Elastic Glory, and Full Wealth (Hong Kong) Limited respectively. Zhenhua Obee had two SMT production lines leased to and operated by Shenzhen Zhenhua Communication Equipment Co. Ltd., an Independent Third Party, to carry out the manufacturing of PCB designed by the Group. Shenzhen Zhenhua Communication Equipment Co. Ltd. was one of the subsidiaries of Zhenhua Technology at the time of the formation of Zhenhua Obee.

Zhenhua Technology, whose issued shares are listed on the Shenzhen Stock Exchange, is principally engaged in the design and production of terminal telecommunication products. The related companies of Zhenhua Technology are customers and suppliers of the Group. The Group sells mobile handset components and mobile handset applications to Zhenhua Group while the Group also purchases PCBA and mobile handsets from Zhenhua Group. Zhenhua Group is one of the major and reliable strategic alliances of the Group. As such, the Group and Zhenhua Group rely on each other's strengths to satisfy customers' requirements and needs. Therefore, there are two-way transactions between the Group and Zhenhua Group during the Track Record Period.

Full Wealth (Hong Kong) Limited, being one of the suppliers and overseas distributors for the products of Zhenhua Group, is principally engaged in the procurement, trading and distribution of electronic components and products. As disclosed in the prospectus of the Company dated 9 November 2007 relating to its Listing on SGX-ST, the original shareholders of Full Wealth (Hong Kong) Limited at the time of formation of the joint venture company were the employees of Zhenhua Shenzhen Electronic Co., Ltd, which was owned as to 49% by Zhenhua Technology and as to 51% by Zhenhua Electronic Co. Ltd, which in turn holds 36% of Zhenhua Technology. Neither the Company, its Directors nor their respective associates is connected with Zhenhua Technology and Full Wealth (Hong Kong) Limited under the Listing Rules.

Zeus and PhoneLink

In May 2006, in order to capture the increasing demand of PCB mobile handset solutions design and the potential growth of the mobile handset industry, the Group entered into a sale and purchase agreement for the acquisition of the entire shareholding interest in Zeus. Zeus, which owned 45% shareholding interest in PhoneLink, was incorporated in August 2004 with two shareholders in equal shareholding proportion, namely Ms. Chen Ying, an Independent Third Party at the time of the acquisition, and Mr. Wang Xu, Ms. Wang Tao's brother. In October 2005, Ms. Chen Ying transferred all of her shareholding interest in Zeus to Mr. Ma Jin Long, being an Independent Third Party, and remained as an administration manager of Zeus. Subsequently, Ms. Chen Ying joined the Group with her extensive experience in the operation of mobile handset solution and became the existing chief operating officer of the Group when the Group acquired the entire equity interests in Zeus in May 2006. Zeus is principally engaged in the product definition process, provision of industrial design and mechanical design, PCB design, modelling and procurement. Its then associated company at the time of the acquisition, PhoneLink, owned as to approximately 45% shareholding interest by Zeus, is engaged in research and development of PCB designs in preparation for the anticipated launch of the 3G network in the PRC. The remaining 55% shareholding interest in PhoneLink was owned by Ms. Chen Wing, an Independent Third Party, and Zhenhua Technology as to approximately 6% and 49% respectively. Pursuant to such sale and purchase agreement in respect of the acquisition of the entire shareholding interest in Zeus, the Group agreed to acquire and Mr. Wang Xu, together with Mr. Ma Jin Long, another independent shareholder of Zeus, agreed to sell, the entire equity interest in Zeus at a consideration of RMB20 million (equivalent to approximately HK$19.8 million), which was based on arm's length negotiation with reference to the total registered capital contributed by each of the two shareholders of Zeus. Upon completion of the aforementioned sale and purchase agreement on 29 May 2006, Zeus became the principal R&D centre of the Group in the PRC.

On 9 June 2006, the registered capital of PhoneLink was increased from approximately US$873,537 (equivalent to RMB7 million) to approximately US$1,247,910 (equivalent to RMB10 million), contributed entirely by Zeus. Equity interest in PhoneLink then held by Zeus increased from 45% to 61.5% through this capital contribution, and PhoneLink has become a subsidiary of Zeus thereafter.

On 1 August 2006 and 6 February 2007, Zeus further acquired 4.2% and 15.3% of the capital of PhoneLink at cash consideration of approximately US$52,413 (equivalent to RMB420,000) and approximately US$194,711 (equivalent to RMB1,530,000) respectively upon arm's length negotiation. After such acquisition, Zeus' interest in PhoneLink increased to 81%.

In August 2006, the Group further expanded its product development capacity by establishing CCDH in August 2006 which specialised in PCB design, industrial design and mechanical design. Each of CCDH and Zeus focuses on mobile handset solutions utilising different IC platforms. Such arrangement enabled the Group to fully utilise its resources by allowing PhoneLink to focus on the development of 3G mobile handset solutions whereas CCDH and Zeus to focus on mobile handset solutions.

Tongqing

With a view to further strengthen the capabilities as a one stop service centre, the Group established Tongqing, a WFOE in Shenzhen which is a wholly-owned subsidiary of Max Sunny, an investment holding company at that time and a wholly-owned subsidiary of Elite Link, in March 2007. The initial total investment and registered capital of Tongqing was HK$120 million and HK$60 million respectively. The total investment and registered capital of Tongqing was increased to HK$180 million and HK$90 million respectively on 28 July 2009. Tongqing provides subcontracted manufacturing services for hardware used in mobile handset (mainly PCBA) and the assembly of semi-finished handset developed by the Group or its customers.

Finet Technology

The Group intended to set up a Macao company in 2006 with a view to benefit from the Macau Offshore Institution Regime on certain tax exemptions. As such, the Group established Finet Technology, a Macao company in May 2006. However, such plan had not been carried into effect as the Directors noted that the administrative costs and other overheads for maintaining such Macao company might outweight the tax benefits. After taking into account such cost factors, the Directors subsequently considered that it might not be justifiable for the Group to maintain such Macao company. Hence, the Group dissolved the Macao company on 23 June 2007 in order to minimise the costs to be incurred by the Group. Finet Technology remained dormant during the financial year ended 31 March 2007 and until before dissolved.

Loan Agreements

On 25 January 2007, an interim loan agreement ("Interim Loan Agreement") was entered into amongst seven independent investors (collectively, the "First Tranche Investors"), Elastic Glory as borrower, and Mr. Wang and Ms. Wang Tao as guarantors, pursuant to which the First Tranche Investors lent a total sum of S$6 million to Elastic Glory to meet its working capital needs. On 29 March 2007, the First Tranche Convertible Loan Agreement ("First Tranche Convertible Loan Agreement") was entered into amongst the First Tranche Investors and the Company, where upon the Interim Loan Agreement was terminated and the interim loan of S$6 million lent to Elastic Glory was transferred to the Company and it became a convertible loan, which would be automatically converted to Shares as soon as practicable after the issue of an eligibility letter to the Company for its listing on SGX-ST. The First Tranche Investors originally intended to provide funds to the Company. However, when the Interim Loan Agreement was signed, the Company was not incorporated yet. Soon after the formation of the Company, the First Tranche Investors entered into the First Tranche Convertible Loan Agreement to transfer the interim loan to the Company and terminate the Interim Loan Agreement as a result.

On 19 April 2007, the Company, the First Tranche Investors and seven additional individual investors (collectively, "Second Tranche Investors") entered into the Second Tranche Convertible Loan Agreement ("Second Tranche Convertible Loan Agreement"), whereupon the First Tranche Convertible Loan Agreement was terminated and the Second Tranche Investors agreed to advance a convertible loan amounting to S$10 million (including the amount of the First Tranche Convertible Loan Agreement) in aggregate, which would be automatically converted to Shares as soon as practicable after the issue of an eligibility letter to the Company for its listing on SGX-ST.

On 4 June 2007, the First Tranche Investors, the Second Tranche Investors, the Company and OCBC Capital Investment Private Limited (collectively, "Third Tranche Investors") entered into the First, Second and Third Tranche Convertible Loan Agreement ("Third Tranche Convertible Loan Agreement"), whereupon the Second Tranche Convertible Loan Agreement was terminated. OCBC Capital Investment Private Limited is incorporated in Singapore and is an indirect wholly owned subsidiary of OCBC Bank which was the manager, underwriter and placement agent to the Company at the time of primary listing on the SGX-ST. Save as being one of the Third Tranche Investors and acting as the manager, underwriter and placement agent for the listing on SGX-ST, there are no other relationships between the Company on the one hand and OCBC Capital Investment Private Limited and its holding company, Orient Holdings Private Limited on the other hand. Pursuant to the Third

Tranche Convertible Loan Agreement, the Third Tranche Investors agreed to advance a convertible loan amounting to S$13 million in aggregate which would be automatically converted to Shares as soon as practicable after the issue of an eligibility letter to the Company for its listing on SGX-ST. The convertible loans were fully converted into 56,722,689 Shares on 24 September 2007. No interest was payable by the Company as a result of the full conversion pursuant to the terms of the Third Tranche Convertible Loan Agreement.

Corporate restructuring

In January 2007, the Group underwent a corporate restructuring for the preparation of listing on the SGX-ST as follows:

(a) the Company was incorporated in Bermuda on 30 January 2007 to serve as the ultimate holding company of the Group;

(b) prior to completion of the corporate restructuring, the Group's business and assets were held by Elastic Glory, a company incorporated in BVI on 16 September 2002, and its subsidiaries. The issued shares in the capital of Elastic Glory were held by Mr. Wang and Ms. Wang Tao in the respective proportions of 55%, comprising 1,413,882 ordinary shares of US$1.00 each, ("WSZ EG Shares") and 45%, comprising 1,156,812 ordinary shares of US$1.00 each ("WT EG Shares");

(c) on 28 March 2007, the Company, Mr. Wang and Ms. Wang Tao entered into a restructuring agreement ("Restructuring Agreement"). Pursuant to the Restructuring Agreement, a share swap took place whereby:

  (i) in consideration of the issuance of shares in the Company described in paragraph (ii) below, Mr. Wang and Ms. Wang Tao transferred the WSZ EG Shares and WT EG Shares respectively to the Company; and

  (ii) in consideration of the transfers described in paragraph (i) above, the Company issued 1,156,812 fully paid Old Share to Ms. Wang Tao and 1,413,881 fully paid Old Share to Mr. Wang and credited as fully paid the one Old Share which had been issued nil paid to Mr. Wang on 1 February 2007;

(d) on 4 June 2007, each of Mr. Wang and Ms. Wang Tao transferred 23,320 and 19,080 Old Shares respectively to Mr. Lu Shangmin at a consideration of US$9.80 per Old Share. Mr. Lu Shangmin was the financial controller of the Group's PRC operations in May 2007 and was promoted to an executive Director in March 2009. The Old Shares were transferred to him at a discount of approximately 4.7% to the valuation of the Old Shares conducted by BMI Appraisals Limited as at 31 March 2007 of US$10.28 Old Share ("Share Valuation"). Such removal of Shares to him was to incentivise him for his continued service to the Group;

(e) on 4 June 2007, 117,660 Old Shares were issued at a consideration equal to the Share Valuation of US$10.28 per Old Share to Denix Limited, an investment holding company incorporated in the BVI . To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Denix Limited was no longer a shareholder of any members of the Group and is an Independent Third Party;

(f) pursuant to the First Tranche Convertible Loan Agreement, Second Tranche Convertible Loan Agreement and Third Tranche Convertible Loan Agreement, the aggregate convertible loans amounting to S$13 million (the "Convertible Loan"), advanced by the Third Tranche Investors (collectively the "Pre-IPO Investors") was secured by personal guarantees of Mr. Wang and Ms. Wang Tao (the "Personal Guarantees") and a charge over up to 50% of the issued Shares by Mr. Wang and Ms. Wang Tao (the "Charge"). The Convertible Loan was fully converted into 56,722,689 Shares on 24 September 2007. Immediately after the conversion, the Charge and the Personal Guarantees were released. Each of Mr. Wang and Ms. Wang Tao had undertaken to the Pre-IPO Investors that if the Company was not listed by 31 May 2008 and was unable to purchase from the Pre-IPO Investors the converted Shares at stipulated price within the stipulated time frame, Mr. Wang and Ms. Wang Tao should fulfill the obligations of the Company and pay to the Pre-IPO Investors the stipulated price. The Pre-IPO Investors were regarded as public Shareholder upon the listing of the Company on SGX-ST; and

(g) on 24 September 2007, 16,806,723 Shares were issued to Eight Treasures Investment Limited, together with its sole shareholder being an Independent Third Party, for the consultancy services provided in relation to liaison and co-ordination support in connection with the listing of the Company's shares on SGX-ST. Eight Treasures Investment Limited, an investment holding company, was regarded as public Shareholder and an Independent Third Party upon listing of the Company on SGX-ST. The Directors confirm that there is no special right attached to the Shares issued to the Pre-IPO Investors and Eight Treasures Investment Limited.

The Shares was successfully listed on the SGX-ST on 21 November 2007.

*Launch of "**VIM**" or in Chinese "**偉恩**"*

The Group successfully launched its first proprietary mobile handset E818 under "***VIM***" or in Chinese "***偉恩***", the new brand name of the Group in the PRC in December 2008.

Further to this successful launch, the Group introduced additional new models of mobile handset under brand name "***VIM***" or in Chinese "***偉恩***" to the market as at the Latest Practicable Date. The "***VIM***" or in Chinese "***偉恩***" brand of mobile handset has also been marketed to retail chain stores for electronic and electrical appliances in Hong Kong and the PRC in June 2009 and August 2009 respectively.

Max Pixel

With a view to further expand the Group's business, the Group intended to set up a new WFOE in the PRC. As such, the Group established Max Pixel, a company incorporated in Hong Kong, as the intermediate holding company for the planned WFOE in February 2008. However, such plan had not been materialised due to the global financial crisis, and hence the Group disposed of Max Pixel on 10 February 2009. Max Pixel was dormant before disposal.

Acquisition of the remaining equity interest in PhoneLink

In February 2009, the Group entered into a sale and purchase agreement with the minority shareholder of PhoneLink to acquire the remaining 19% of the shareholding interest in PhoneLink for a cash consideration of US$305,014 (equivalent to RMB2,100,000) from Zhenhua Technology on a willing-buyer and willing-seller basis so as to enable the Group to become the sole beneficial owner of PhoneLink and the know-how and any corresponding intellectual rights derived by PhoneLink in mobile handset development. Such acquisition has already been completed.

Disposal of State Tech Group

On 31 March 2009, the Group entered into a sale and purchase agreement with Manchester International Group Limited ("Manchester International"), an Independent Third Party, for the disposal of its entire shareholding interest in State Tech and CCDH (collectively known as the "State Tech Group") at a consideration of US$457,721. The consideration was agreed between the Group and the purchaser upon arm's length negotiation after taking into account of the unaudited net asset value of the State Tech Group as at 31 December 2008 and would be settled in cash upon completion. Prior to the disposal, the mobile handset solution business, R&D of mobile handset and distribution and marketing business of the State Tech Group were taken up by Zeus and Max Sunny in the financial year ended 31 March 2009 and as such, the State Tech Group only maintained the remaining GPS business. As Manchester International intended to acquire the GPS business and a PRC WFOE company, CCDH, which is a wholly owned subsidiary of State Tech, Manchester International therefore entered into the sale and purchase agreement to acquire the State Tech Group. Accordingly, the disposal of the State Tech Group mainly disposed of the GPS business carried out by State Tech and CCDH, as the mobile handset solution business, R&D of mobile handset and distribution and marketing business of the State Tech Group were already taken up and consolidated with other subsidiaries of the Company under the Group's internal restructuring process. Since the revenue derived from the GPS business amounted to approximately US$863,000 for the financial year ended 31 March 2009, the Directors consider the disposal of State Tech Group and its GPS business was immaterial in terms of its revenue, assets and equity contribution to the Group. Accordingly, the disposal of the State Tech Group was not critical to the future business development of the Group and will not have any significant impact on the core business and operation of the Group in any material aspect concerning research and development, manufacture and sale of mobile handset solutions and its proprietary mobile handset. The Directors considered that such disposal will be beneficial to the Company by streamlining the operations, saving recurring administrative costs and reducing further loss from possible write off of the underlying assets which were not used by the Group. The disposal of State Tech Group was not required to be subject to Shareholders' approval under the Listing Manual. The disposal was completed on 30 June 2009.

Disposal of Zhenhua Obee

On 22 May 2009, the Group entered into the sale and purchase agreements with Full Wealth (Hong Kong) Limited and Zhenhua Technology ("Purchasers") for the disposal of the 42% equity interest in Zhenhua Obee at a consideration of RMB10,113,600, which was agreed upon arm's length negotiation between the Group and the Purchasers after taking into account the carrying amount of the Group's investment in Zhenhua Obee as at 31 December 2008. As the Group established Tongqing, its own manufacturing arm, in March 2007 and has been launching for its mobile handset under the new flagship brandname "***VIM***" or in Chinese "***偉恩***" since December 2008 with its owned manufacturing skill and production capacity, any further investment in Zhenhua Obee may not make the most efficient use of the Group's resources. Accordingly, the Directors are of the view that (i) it is appropriate to dispose of the investment in Zhenhua Obee; and (ii) the disposal will not have any significant impact on the core business and operation of the Group in any material aspect concerning research and development, manufacture and sale of mobile handset solutions and its proprietary mobile handset. The consideration will be applied as general working capital of the Group.

Referring to the sale and purchase agreements for the disposal of 42% equity interest in Zhenhua Obee, the Purchasers are obliged to settle the consideration within 360 days after the date of the sale and purchase agreements. As at the Latest Practicable Date, the said consideration has not yet been settled by the Purchasers and the transaction has not been completed. The transaction is expected to be completed on or before May 2010. As such, no gain or loss on the disposal is recorded as at the Latest Practicable Date. The estimated gain on the disposal based on the terms of the disposal is approximately US$287,000 which is derived from the difference between the consideration of the disposal of approximately US$1,469,000 together with the final dividend for the year ended 31 December 2007 of approximately US$885,000, the related reserve associated with Zhenhua Obee amounted to approximately US$938,000 and the carrying amount of the 42% equity interest in Zhenhua Obee amounted to approximately US$3,005,000. The Directors consider that such 360 days settlement period was agreed after taking into account the sufficient working capital of the Group and the long-term business relationship with Zhenhua Group.

Since Zhenhua Obee is the registered owner of the "OBEE" in the PRC, the Group will not have any right to use and will not use "OBEE" for its products' brand after the disposal and there is no revenue of the Group that was derived from the sale of "OBEE" brand products in the PRC during the Track Record Period. However it would not affect the registered rights of the Group and applications for registration of certain "OBEE" trademarks in the areas outside of the PRC. As Zhenhua Obee only conducts its sales with "OBEE" trademark in the PRC, the trademarks of "Z-OBEE" and "OBEE" registered in countries other than the PRC were not requested by Zhenhua Obee hence they were not included as a part of the disposal transaction. Therefore, trademarks of "Z-OBEE" and "OBEE" registered in countries other than the PRC are currently owned by the Company's indirect wholly owned subsidiary, Finet Enterprises.

The Group intends to continue to use its own brand name "***VIM***" or in Chinese "***偉恩***" for the launch of its own products brand in the future, therefore the Group does not intend to enter into an agreement with Zhenhua Obee for the use of "OBEE" in the PRC.

The disposal of the 42% equity interest in Zhenhua Obee was not subject to the Shareholders' approval under the Listing Manual.

Share Placement

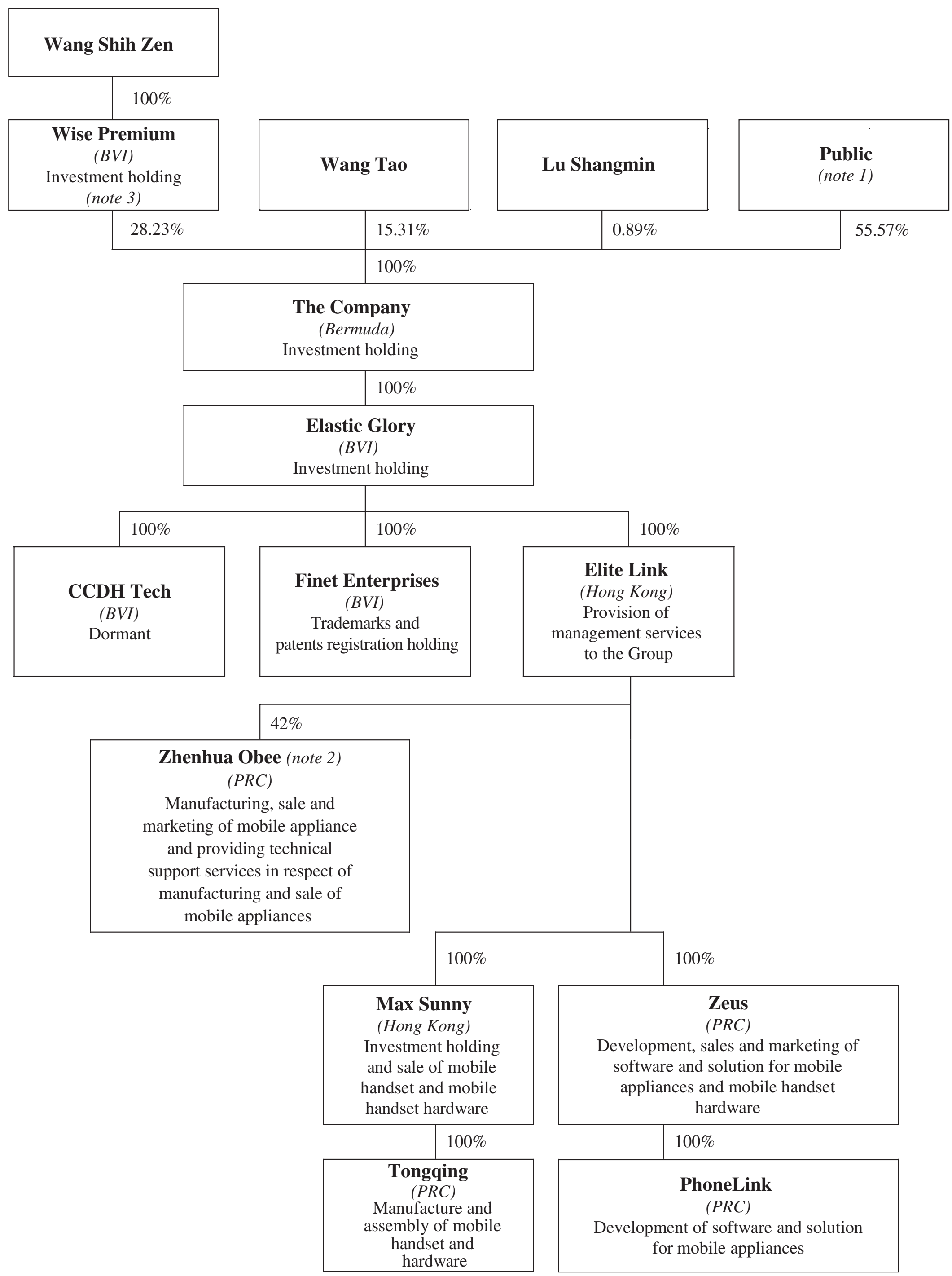
On 24 September 2009, the Company entered into the eight subscription agreements with eight existing Shareholders respectively, being Independent Third Parties, for the issue and allotment by the Company to such subscribers of the Subscription Shares, at a subscription price of S$0.13 (equivalent to approximately HK$0.72) per Share. The subscription price was determined with reference to the trading market price of the Shares preceding the execution of the subscription agreement and was agreed upon arms' length negotiation between the Company and the subscribers. The subscription price of S$0.13 per Share amounted to a discount of approximately 13.33% to the volume weighted average price of S$0.15 of the Shares of the Company traded on the SGX-ST for the full market day on 24 September 2009, being the full market day immediately preceding the execution of the subscription agreements.

The Shareholders granted the authority to the Directors to at any time, allot and issue Shares at an issue price for each Share with the issue price not representing a discount more than 20% to the weighted average price of a Share for trades done on the SGX-ST, at the annual general meeting held on 30 July 2009. Such Subscription Shares represented approximately 4.02% of the issued share capital of the Company as at 24 September 2009 and represented approximately 3.86% of the share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The allotment and issue of the Subscription Shares were completed on 8 October 2009.

On 8 October 2009, the issued and paid-up share capital of the Company was increased to US$4,140,589 comprising 517,573,662 Shares after the completion of the allotment and issue of the Subscription Shares.

SHAREHOLDING AND GROUP STRUCTURE

The chart below illustrates the simplified corporate and shareholding structure of the Group immediately after the completion of the Share Offer:



Notes:

1. Including Pre-IPO Investors and Eight Treasures Investment Limited upon the Listing of the Company on SGX-ST on 21 November 2007; and Subscription Shares held by eight existing Shareholders, issued on 8 October 2009 pursuant to the subscription agreements dated 24 September 2009.

2. The Group entered into the sale and purchase agreements for the disposal of its 42% shareholding interest in Zhenhua Obee on 22 May 2009. The disposal is expected to be completed on or before May 2010. The remaining 58% shareholding interest in Zhenhua Obee was held by Full Wealth (Hong Kong) Limited and Zhenhua Technology as to 15% and 43% respectively.

3. Wise Premium is a company incorporated in BVI and wholly and beneficially owned by Mr. Wang.

OVERVIEW

The Group is a mobile handset application and solution provider and a mobile handset manufacturer in the PRC. The Group provides full-set design and production solution services spanning the entire handset design cycle, which involves industrial design, mechanical design, application design, PCB design, procurement of hardware, prototype testing, pilot production and SMT production for mobile handset and PCB. The Group's business can be divided in following four major areas:

1. Provision of mobile handset application design;

2. Provision of design and production solution services for mobile handset;

3. Assembly of mobile handset and SMT of PCB; and

4. Distribution and marketing of mobile handset and mobile handset components.

Provision of mobile handset application design

The Group engages in three types of design and development of mobile handset applications: i) security application such as biometric verification system for personal mobile handset, ii) performance enhancement program such as noise reduction which reduces the noises in surrounding environment when the mobile handset is in use, and iii) entertainment applications such as "Love Touch" and "Draw Board". The applications are installed in the mobile handset produced by the Group or provided as package of software applications to the customers as one of the solution design services of the Group.

Provision of design and production solution services for mobile handset

The Group has its own in-house mobile handset design team which enables the Group to offer integrated product and/or service solutions to meet different customers' requirements. The solutions provided by the Group include product definition, industrial design, mechanical design, software design, PCB design, procurement of hardware, prototype testing, pilot production and production support. The Group can either provide the total solution service from mobile handset design to the production of mobile handset or individual solution service such as industrial design, mechanical design, OEM services in the assembly of mobile handset and SMT of PCB.

Assembly of mobile handset and SMT of PCB

The Group also engages in the production of mobile handset for its OEM customers. The Group has its own production facilities, the Tongqing production plant, which provide the SMT lines for assembly of PCB and production of mobile handset. The production services include provision of PCBA services, surface mounting and processing of mobile terminal products and testing and assembly of mobile communication products. The Group provides assembly of mobile handset (including the SMT of PCB) for its own brand and third parties' brands. However, there is no separate SMT of PCB under the Group's own brand.

The Group's production plant and R&D operations are currently based in Shenzhen and Shanghai and the majority of the customers are based in the PRC.

The OEM manufacture of mobile handset and mobile handset components produced by the Group were included in the revenue of business segment of assembly.

Apart from OEM manufacture of mobile handset and mobile handset components produced by the Group in the PRC, the Group also launched its own brand name "***VIM***" or in Chinese "***偉恩***" for its proprietary handset in the PRC in December 2008. The brand name of "***VIM***" or in Chinese "***偉恩***" targets the middle price range of mobile handset and aims at business executives as well as young mobile handset users with trendy and multi-functional mobile handset. During the period between December 2008 and June 2009, an immaterial amount of product sample and promotional sales of mobile handset under the brand "***VIM***" or in Chinese "***偉恩***" has been included in the Distribution and Marketing Segment.

***VIM** series mobile handset model E818 is designed and launched by the Group*

The Group launched the special limited edition showcased design under its new ***VIM*** series phone, E818, after the first launch of its own proprietary handset in December 2008. The new, stylish E818 is positioned as a statement in fashion, elegance and modern attitude towards life characterised by its sleek, mirror cover design and patented technology standard.

Due to the short period of time since the first launch of the mobile handset under the brand of "***VIM***" or in Chinese "***偉恩***", the contribution of revenue from the sales of "***VIM***" or in Chinese "***偉恩***" mobile handset was not significant during the Track Record Period. Up to 30 September 2009, the Group has sold approximately 15,000 units of mobile handsets with total revenue amounted to approximately US$971,000 under the brand of "***VIM***" or in Chinese "***偉恩***" since the first launch of "***VIM***" or in Chinese "***偉恩***" in December 2008.

The Group started to sell mobile handset under its brand name "***VIM***" or in Chinese "***偉恩***" through the distribution channels in Hong Kong and the PRC since June 2009 and August 2009 respectively. There was no engagement of consignee for the products of "***VIM***" or in Chinese "***偉恩***" by the Group in Hong Kong and the PRC as at 31 March 2009. As at 30 September 2009, there were 10 retail shops in Hong Kong through a retail distribution network that sold the products of "***VIM***" or in Chinese "***偉恩***". As at the Latest Practicable Date, there were 10 retail shops in Hong Kong under a distribution agreement and 8 retail shops in the PRC under a consignment agreement that sell the mobile handsets of "***VIM***" or in Chinese "***偉恩***".

After the well establishment of the sales network of "***VIM***" or in Chinese "***偉恩***", the Group considered that it is much more appropriate to include such revenue in the Assembly Segment instead of the Distribution and Marketing Segment due to the original nature of the products and for better presentation purposes.

Distribution and marketing of mobile handset and mobile handset components

The Distribution and Marketing Segment of the Group mainly includes selling of mobile handsets and mobile handset components produced by third parties.

The Group serves two major groups of customers, namely mobile handset manufacturers and mobile handset distributors:–

(a) Mobile handset manufacturers

The Group provides solutions mainly in the form of industrial design and mechanical design, software and hardware design and PCBA to these customers who procure the hardware components, assemble the handset and sell them under their respective brand names. The normal contract period between the Group and these respective customers was approximately two to three months during the Track Record Period.

(b) Mobile handset and mobile handset components distributors

The Group provides mobile handset designs to distributors and if so require, the Group will also provide relevant procurement and production support services.

The revenue breakdown by the mobile handset manufacturers and mobile handset and mobile handset components distributors during the Track Record Period was set out below in the section "Major Customers".

During the Track Record Period, the revenue breakdown by activities was illustrated as below:

	For the financial year ended 31 March						For the six months ended 30 September			
	2007		2008		2009		2008		2009	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(unaudited)			
Solution Segment	9,235,556	19.96	12,109,181	10.13	7,289,224	7.03	4,041,752	5.55	1,886,536	3.44
Assembly Segment	–	–	9,603,391	8.03	20,437,043	19.72	12,933,464	17.75	15,520,980	28.33
Distribution and Marketing Segment	37,025,775	80.04	97,881,544	81.84	75,897,585	73.25	55,873,714	76.70	37,372,727	68.23
Total	46,261,331	100	119,594,116	100	103,623,852	100	72,848,930	100	54,780,243	100

During the Track Record Period, the breakdown of the Group's gross profit and gross profit margin by business activities was illustrated as below:

	For the financial year ended 31 March						For the six months ended 30 September			
	2007		2008		2009		2008		2009	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(unaudited)			
Solution Segment	7,898,750	85.53	10,587,393	87.43	5,321,618	73.01	3,228,501	79.88	1,513,555	80.23
Assembly Segment	–	–	1,097,032	11.42	1,660,178	8.12	886,458	6.85	2,006,871	12.93
Distribution and Marketing Segment	2,526,555	6.82	4,490,099	4.59	1,525,608	2.01	2,007,939	3.59	1,386,257	3.71
Total	10,425,305	22.54	16,174,524	13.52	8,507,404	8.21	6,122,898	8.40	4,906,683	8.96

During the Track Record Period, the revenue breakdown by geographic locations was illustrated as below:

	For the financial year ended 31 March						For the six months ended 30 September			
	2007		2008		2009		2008		2009	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
							(unaudited)			
The PRC except Hong Kong	43,874,807	94.84	106,763,743	89.27	88,399,329	85.31	61,720,455	84.72	43,791,302	79.94
Hong Kong	2,386,524	5.16	12,830,373	10.73	15,224,523	14.69	11,128,475	15.28	10,988,941	20.06
Total	46,261,331	100	119,594,116	100	103,623,852	100	72,848,930	100	54,780,243	100

The business activities of the Group are presented based on the result contribution to the Group and the resources employed by the Group in each of its business activities. The Solution Segment is regarded as the core business activity of the Group, since:

(i) the well established research and development department of the Group with 60 staff members representing more than 30% of the full time employees of the Group and being the largest department of the Group;

(ii) the total cost of salaries incurred for the research and development department represented approximately 49.71%, 33.26% and 25.71% of the total staff costs of the Group for each of the three years ended 31 March 2009 respectively;

(iii) the gross profit margin as an indicator to the profit contribution by the Solution Segment to the Group's profitability, which was illustrated in the breakdown of the Group's gross profit and gross profit margin as above;

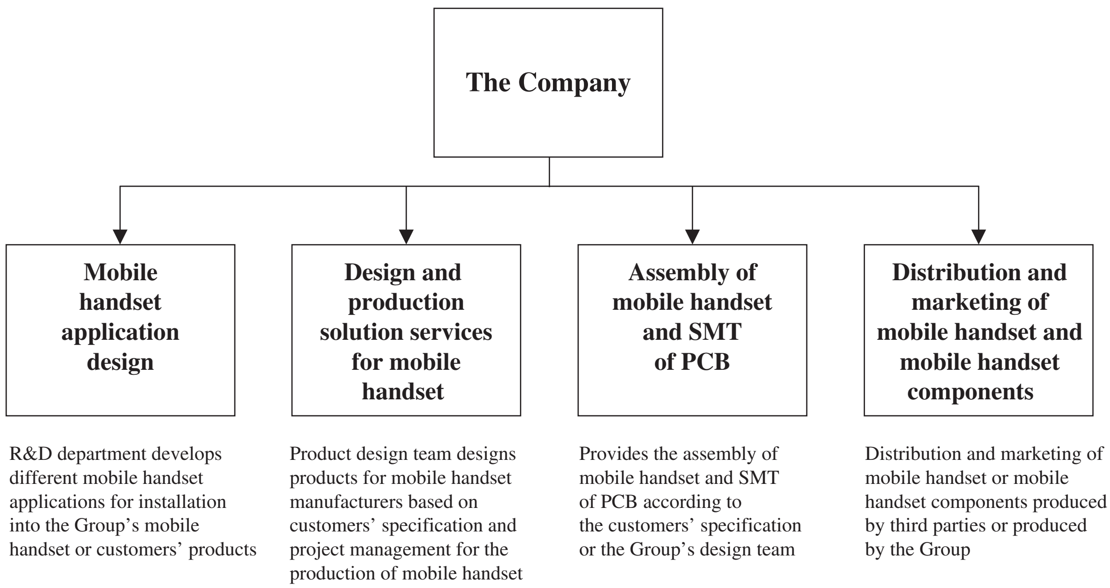
(iv) one of the business objectives of the Group is to become a leading mobile handset solution provider; and

(v) the Assembly Segment as well as the Distribution and Marketing Segment serve as supporting segments to the one-stop services rendered by the Solution Segment.

Although the revenue from the Distribution and Marketing Segment contributed the largest proportion of the revenue of the Group, it contributed the least proportion of gross profit to the Group due to the business nature of this segment which usually has the lowest profit margin and is employed with relatively fewer resources.

BUSINESS MODEL

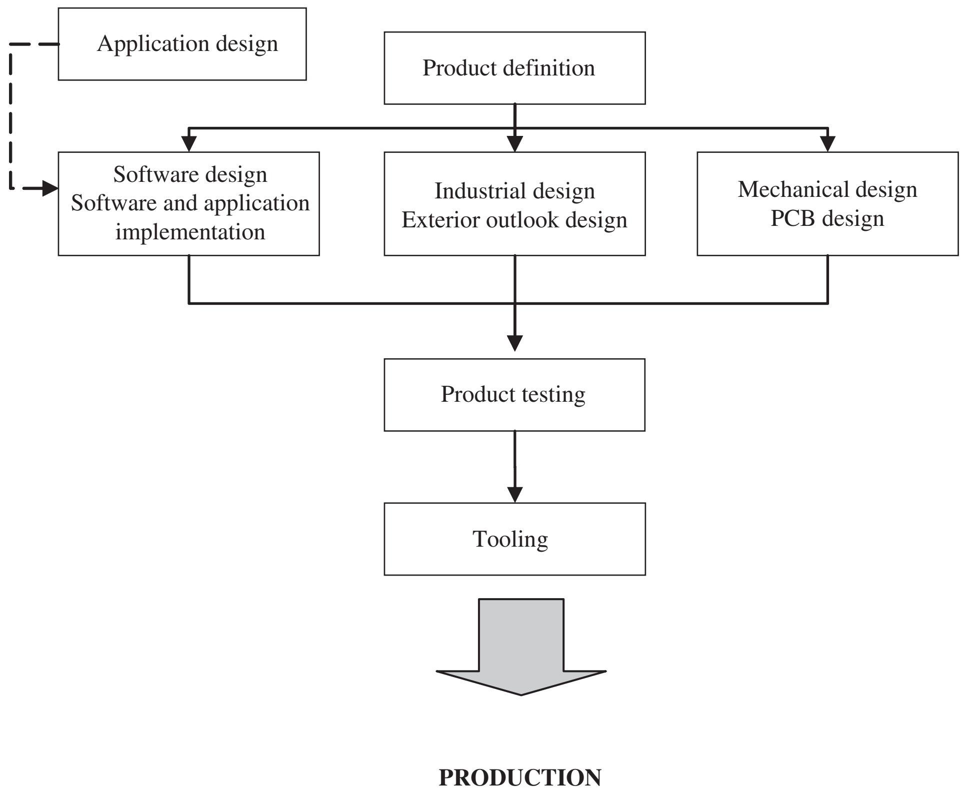
The Group is a mobile handset application and solution provider and it also possesses production capacity for mobile handsets. The Group provides services at various stages of the development and production of mobile handset from mobile handset application design, product design to mobile handset manufacturing and distribution and marketing of mobile handset and mobile handset components.



The Group provides total solution of mobile handset production from product design to production support and assembly of mobile handset. Depending on the requirements of different customers, the Group will provide either single segment of services of the Group or complete mobile handset solution. For example, the mobile handset manufacturer customers may require the Group to provide them services from industrial design to product being manufacturable without the provision of manufacturing services by the Group. However, the mobile handset and mobile handset components distributors who do not have the production capability may on the other hand require the Group to provide them with the total solution services from product definition to mobile handset production.

Business flow of solution design services

Set out below is a flow chart of the solution design services engaged by the Group:



i) Product definition

The product definition stage is to understand the customers' product specifications, functions and features which they require in the mobile handset. The Group also provides consultation and advisory services to its customers on the proposed design solutions based on its understanding of the market preferences and demands, having taken into account the development of technology in the industry.

ii) Application design

The R&D department constantly develops new applications according to the market demand for the new application technique and special features for the mobile handset. The newly developed applications will be tested by computer programmes and then tried in the mobile handset to ensure the compatibility of the applications in the mobile handset's operating system. The successful applications will be introduced to the customers of the Group and combined with the software design. The newly developed applications will then be installed in the new models of mobile handset according to the feature requirements under the product definition.

iii) Software design

According to the product definition, the software engineers of the Group will design the software interface for the operation of mobile handset and test the compatibility of the applications to be installed in the mobile handset.

iv) Industrial design and Mechanical design

Based on the customers' requirements and taking into account the current market preferences, the Group designs the exterior outlook of the mobile handset, as well as the mechanical design for the PCB. The Group's software engineers will also design the applicable software or specific application to ensure the compatibility of the user-features of the handset. Further steps are also taken to ensure the compatibility of the hardware and software and that the mechanical components conform to the desired physical appearance of the mobile handset. After ascertaining customers' desired functions and features, the Group will design the PCB to meet the customers' requirements.

v) Product testing

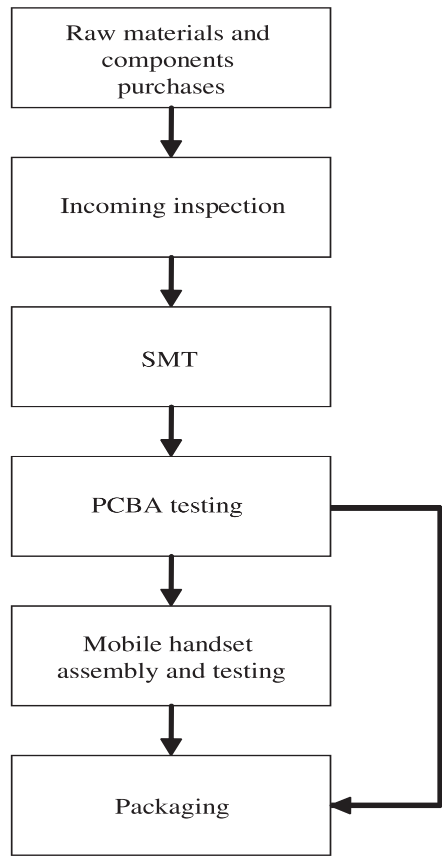
The specified applications, PCBs and features of the product samples will then be tested by the Group's R&D department.

vi) Tooling

The Group does not have its own mould and tooling department. As such, the Group will provide the industrial design and mechanical design to the external mould tooling manufacturer to design the mould and tooling for mass production of mobile handset.

Business flow of mobile handset assembly and SMT of PCB

Set out below is a flow chart of the assembly of mobile handset of the Group:



i) Raw materials and components purchases and incoming inspection

The Group acquires raw materials and components from external suppliers and the quality assurance department of the Group will inspect the incoming raw materials and components before delivery to the warehouse.

ii) SMT

The components will be fitted and assembled on the PCB based on the hardware design in the production plant of the Group, namely Tongqing. The Group's engineers will provide on-site technical support to the subcontractors for the production of the PCBA designed by the Group.

iii) PCBA testing

After SMT processing, the PCBA is connected to display modules and the keypad of the mobile handset to test the functioning of the PCBA board.

iv) Mobile handset assembly and testing

The PCBA are assembled with the display modules, keypads, casing and components into the mobile handset. The quality assurance department of the Group will ensure that the prescribed procedures are properly complied with. Visual inspection and performance tests are carried out at each checkpoint. The mobile handset will also be functionally tested according to the requirements.

v) Packaging

After completion of the production of the mobile handset or the PCBA, the mobile handset or the PCBA will be transferred to another capsulated area to minimise the dust when packaging. The final products will be packed in accordance with the packaging specification of the customers.

Apart from OEM manufacture of mobile handset and mobile handset components produced by the Group, the Group also sells its own manufactured mobile handset under the brand name "***VIM***" or in Chinese "***偉恩***" to customers directly or through retail distributors in Hong Kong and the PRC.

The products of "***VIM***" or in Chinese "***偉恩***" were supplied to 10 retail shops of a retail distribution company in Hong Kong through the Group's distributor and the Group has also engaged a PRC retail distribution company to sell the products of "***VIM***" or in Chinese "***偉恩***" in 8 retail shops in the PRC. The retail distributor will place orders for the requested number of the Group's mobile handset regularly. When the Group's sales and marketing department receives such orders, the sales and marketing department will arrange delivery of the mobile handsets from the warehouse of the Group or arrange production of the same to fulfill such demand orders.

Pursuant to the consignment agreements entered into between the Group and the respective distribution company in Hong Kong and the PRC, the sales of the Group's mobile handsets in the brand name "***VIM***" or in Chinese "***偉恩***" generally comprise the following steps:

(a) Distributors/consignees will acknowledge receipt upon delivery of goods;

(b) Distributors/consignees will issue a monthly sales report to the Group for reconciliation and the Group will issue sales invoices to the distributors/consignees for the collection of sales proceeds;

(c) Distributors/consignees will issue a monthly inventory report to the Group for reconciliation with its record; and

(d) The Group will carry out monthly physical stocktake with the distributors/consignees to ensure sufficient quantity of stock on hand.

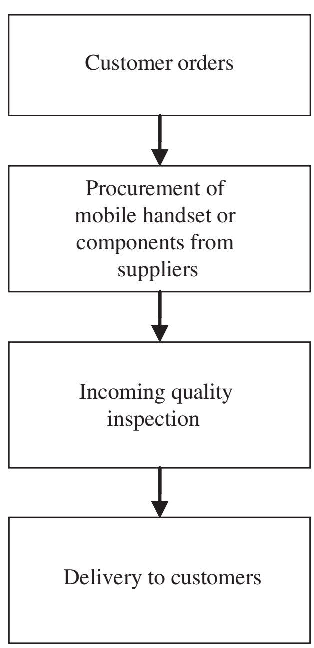
Revenue breakdown of assembly of mobile handset and SMT of PCB

The revenue breakdown of assembly of mobile handset and SMT of PCB during the Track Record Period was illustrated below:

	For the financial year ended 31 March						For the six months ended 30 September	
	2007		2008		2009		2009	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
Mobile handsets – OEM	–	–	7,068,713	73.61	16,237,196	79.45	7,000,305	45.10
Mobile handsets – "***VIM***" or in Chinese "***偉恩***"	–	–	–	–	–	–	971,100	6.26
Mobile handsets components	–	–	2,534,678	26.39	4,199,847	20.55	7,549,575	48.64
Total	–	–	9,603,391	100	20,437,043	100	15,520,980	100

Business flow of distribution and marketing of mobile handset and mobile handset components

Set out below is a flow chart of the distribution and marketing of mobile handset and mobile handset components:



The Group will assist its customers to source for and procure raw materials and components to be used in the manufacture of the mobile handset, for example, capacitors, antenna and LCD. These customers may either be customers who require such assistance as part of their purchase of PCBA from the Group, or customers who require its services only for the purchase of parts and components. Income derived from the provision of procurement services is classified as income from distribution and marketing of mobile handset and mobile handset components. When the customers place the purchase orders with the Group, the Group's procurement and supply department will source such raw materials or components from the Group's suppliers. The quality assurance department will inspect the incoming raw materials and components before delivering to the customers. Revenues from procurement and delivery of third parties produced products are recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the products are delivered and the legal titles have been properly and legally passed to the customers.

Revenue breakdown of distribution and marketing of mobile handset and mobile handset components

The revenue of distribution and marketing of mobile handset and mobile handset components was derived from the following business activities of the Group:

(1) the sales of mobile handset produced by third parties; and

(2) the sales of mobile handset components produced by third parties.

The revenue breakdown of distribution and marketing of mobile handset and mobile handset components during the Track Record Period was illustrated below:

	For the financial year ended 31 March						For the six months ended 30 September	
	2007		2008		2009		2009	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
Distribution and marketing of mobile handset produced by third parties	–	–	298,700	0.31	6,789,710	8.95	11,955,898	31.99
Distribution and marketing of mobile handset components produced by third parties	37,025,775	100.00	97,582,844	99.69	69,107,875	91.05	25,416,829	68.01
Total	37,025,775	100	97,881,544	100	75,897,585	100	37,372,727	100

COMPETITIVE STRENGTHS

The Group's competitive strengths as set out below have driven growth in revenue and net profits and distinguished the Group from its competitors in the mobile handset industry:

- **Possess of application development and design capability**

  The Group's R&D team is responsible for the development of new mobile handset applications. During the Track Record Period, the Group has developed 45 invention and utility model applications in various aspects which included security, performance enhancement and entertainment aspects. The capability of application development and design played a key role in enabling the Group to launch high quality products with advanced features and functionality. The strong industrial design, mechanical design, software design, hardware design and user-interface design capabilities enable the Group to respond to the customers' requirements and capture the latest market trends of mobile handset. Please see the section headed "Intellectual property rights of the Group" in Appendix V to this prospectus for more details.

- **One stop service centre with the flexibility to provide customised services**

  The Group is able to provide its customers with a complete range of services from product design to production support for mobile handset. Directors are of the view that the Group's one stop service can improve the cost effectiveness and shortens time-to-market for the production and commercial launch of mobile handset. Given the short product cycle of the mobile handset market, cost effectiveness and short time-to-market are most crucial to the competitiveness of each product launched into the market.

  Customers may also choose to engage the Group's services for a specific design stage of a mobile handset, which is normally preferred by mobile handset manufacturers which have their own capacity for hardware procurement and handset production. The ability to offer varied services to customers according to their needs enhances the Group's competitiveness, diversifies the Group's customer base and in so doing, maximises the usage of its resources.

- **Technical expertise coupled with innovative and fashionable product ideas**

  The Group has an experienced and innovative product development team of 60 staff, of which 48 of them are university degree holders, and is comprised mainly of engineers with 6 years of relevant working experience on average as at the Latest Practicable Date. The Group's research and development team has proven track record in developing popular and profitable mobile handset models. In an industry where consumer preferences change at a fast pace and technological developments evolve rapidly, the strong product development capabilities allow the Group to maintain its position at the forefront of mobile handset design solutions in the PRC. The Directors believe that the Group is one of the design solutions houses which brought mobile handset with dual GSM cards and full-flat-touch-screen to the PRC market.

- **Established product niche**

The mobile handset market generates tremendous business opportunities with different consumer groups from young generations to high net worth businessmen. During the Track Record Period, the Group focused on developing solutions for mobile handset in the medium retail price range with communication and multimedia functions such as 64-tone polyphony, camera, MP3 and MP4 music playback and entertainment programs. The Directors are of the view that the product niche that the Group has been focusing on will continue to provide tremendous business opportunities in the foreseeable future, as the Directors believe these market segments may still experience a larger growth cycle as compared with the other segments of the mobile handset market.

- **Service and product quality recognised by customers**

As referred to in the section headed "Business – Sales and marketing" in this prospectus, instead of taking aggressive sales and marketing plans during the Track Record Period, the Group mainly focus on fostering close business relationships with a group of high quality customers. Directors are of the view that this approach ensured the efficient use of the Group's resources in providing high quality products and services to its customers and consequently established its reputation by word-of-mouth. The Directors consider this strategy to be effective in promoting the Group to prospective customers. The Group will also monitor the developments in the marketplace and the availability of resources in order to adjust and pursue appropriate sales and marketing strategies and to constantly develop and improve its product and service quality.

- **Professional and dedicated management**

The Group is managed by a group of young and professional executives with recognised academic qualifications and relevant experience in the industry. The Group's chief executive officer, Mr. Wang, has extensive experience in development of telecommunication products. He is responsible for leading the senior management of the Group in the sales and marketing and also development of new products and solutions in mobile handset. The integrity, professionalism and dedication to excellence of its management will contribute to the continuous enhancement of the service and product quality of the Group and its operating performance.

BUSINESS STRATEGY

The Group aspires to become a leading mobile handset solution provider and to establish its own brand name "***VIM***" or in Chinese "***偉恩***" in the PRC and overseas offering services which range from product definition solution design to assembly of mobile handset. To realise such mission, the Group intends to adopt the business strategies as set out below:–

Launching of new flagship brand, "*VIM*" or in Chinese "*偉恩*"

The launch of mobile handset under the new flagship brand name of the Group "***VIM***" or in Chinese "***偉恩***" in December 2008 is a strategic move of the Group to introduce and characterise the Group's trendy design of mobile handset. It aims to enable the Group to hold its edge in mobile handset designs and to build up a fashionable outlook of the Group. The Directors believe that the launching of mobile handset under the Group's new flagship brand provides a fresh platform for the Group to capitalise on the strong market demand for mobile handsets in the PRC by demonstrating the Group's mobile handset application development capability.

To enhance the Group's product development capabilities

The Group believes that the ability to provide product designs equipped with the latest technology development and trends is crucial for the Group to maintain competitiveness as a solution provider. As such, the Group will continue to enhance its product development capabilities in the areas of industrial design, mechanical design, software design and PCB design. For instance, the Group will strive to integrate the latest trends in mobile technology into its designs and will continue to build up and maintain its software application libraries and hardware in order to enable the Group to develop products of multiple tiering and flexibilities.

The Group plans to increase the size of its R&D team from the existing 60 engineers to 96 engineers by the end of 2010. The Group's R&D team is headed by Mr. Wang. The Group believes that having more skilled manpower would enable the Group to better meet the anticipated increase in its business volume. The Group also intends to continually improve its training programmes for its engineers to ensure the constant upgrading of their technical skills.

To enlarge its product mix

The Group intends to enlarge its product mix at two levels: (a) developing mobile handset with multi-functions, and (b) tapping into new consumer markets.

(a) Developing mobile handset with multi-functions

The Directors believe that the demand for mobile handset with varied functions will continue to grow. In line with such expectation, whilst the Group has already developed mobile handset with multi-functions, the Group intends to further focus its research and development of multimedia mobile handset with emphasis on the entertainment aspect. Apart from entertainment aspect, the Group is also exploring and looking into developing solutions which could further improve other functions of mobile handset, for example by developing mobile handset with television signal receiving functions and tourist friendly functions such as automatic retrieval of maps of the user's current location.

(b) Tapping into new consumer markets

The enlargement and diversification of the product mix will allow the Group to diversify its customer base and tap into new markets. In particular, the Directors have noted that a larger number of young people are acquiring mobile handset for their own use at a younger age in the PRC. The Group believes that the ability to design and produce technologically up-to-date and trendy mobile handsets at a lower cost than foreign mobile handset design houses or manufacturers would allow the Group to tap into the rapidly growing market of younger consumers. Apart from tapping into the market for younger consumers, the Group also aims to increase its market share in the rural area of the PRC and the Directors are of the view that the pricing of the mobile handset is one of the major buying criteria for consumer in the rural areas of the PRC. The Group has developed two sets of mobile handset solutions which intend to target at the lower to middle end consumer and customers in rural area market. The Group will try to explore any opportunities in this area when appropriate.

Exploring the possibility of entering the overseas market

The Group plans to expand into overseas markets which have similar demographic and economic conditions to those of the PRC, for example, countries in Southeast Asia, South America and India.

The Group has already registered or applied for registration of its trademarks "VIM" or in Chinese "偉恩" as its new flagship brand in various overseas markets in an effort to prepare entering into these overseas markets. Details of the trademarks may refer to the paragraph headed "Trademark" in the sub-section headed "Intellectual property rights of the Group" under the section headed "Further information about the business of the Group" in Appendix V to this prospectus.

RESEARCH AND DEVELOPMENT

The Group's research and development capabilities cover various aspects of handset designs including application development, product definition, PCB design, ID/MD, software development and sample modeling. The Group provides its design samples in the form of blueprints, PCBA or finished handset models, depending on the requirements of customers.

The Group's research and development engineers work closely with its sales and marketing team to collect market intelligence of the mobile handset and devise new product definitions. The Group's sales and marketing team then presents these new product ideas to customers and very often will go through a process of assessment and modification before the customers decide whether to develop and sell the product.

Being a solutions house that serves mobile handset manufacturers and mobile handset distributors, the Group has to understand and take into account of the business strategy and niche of its customers when the Group defines its own business strategies. During the Track Record Period, the Group adopted the following research and development strategies:

- solutions targeted at the lower to middle end consumers of the market;
- continual enhancement in processing multimedia contents;
- trendy outlook and unique features of mobile handsets that are attractive to young consumers; and
- outlook design tailored for Chinese culture and consumer preferences.

The Group has also been developing PDA phones embedded with unique features that are targeted at higher-end executive consumers. In preparation for the 3G mobile handset in the PRC, the Group has been building up the software library with software required for 3G applications. The Group is conducting a market research on the adoption of 3G standards in order to better design the future business plans on 3G development. As at the Latest Practicable Date, two newly 3G software of Zeus has passed software product registration tests under China Software Testing Centre. The approved software will ensure the Group's success in the future production of 3G mobile handsets.

Before the adoption of 3G standards, the Group entered into a cooperation agreement with Zhenhua Group in September 2009 for the research and development on 3G (EVDO) mobile handset. Pursuant to the cooperation agreement, the Group is responsible for the design and provision of respective solutions and applications for the 3G (EVDO) mobile handsets as per requested by Zhenhua Group, while Zhenhua Group will pay for the relevant fees on the solutions and applications provided by the Group. The Group will implement quality control measures during the course of product development. The Group reserves all the rights of the solutions and applications developed by its own. Such participation has facilitated the Group to build its know-how and will shorten the development cycle once the Group has confirmed which 3G standard is to be adopted. The first EVDO phone is planned to be launched in 2010. The Group intends to spend approximately US$1.6 million to purchase the necessary hardware and software for research and development of 3G mobile handset and 3G modules. Apart from the number of solutions launched by us during the Track Record Period, its research and development capabilities were also demonstrated in the breakthrough features of its solutions. For instance, to the best knowledge of the Directors, the Group is one of the solutions houses that brought mobile handset with dual GSM cards and introduced mobile handset with full-flat-touch screen to the PRC mobile handset market.

As at the Latest Practicable Date, the Group has 60 research and development engineers responsible for different tasks in solutions development and were led by Mr. Wang. The Group's research and development engineers have over six years of relevant experience on average and approximately 48 of them have university degrees.

The Group incurred approximately nil, US$0.66 million and US$0.99 million research and development expenditure for the year ended 31 March 2007, 31 March 2008 and 31 March 2009, respectively. Other than those research and development expenditure, the Group also had incurred expenses in relation to the salaries of its research and development engineers after the acquisition of Zeus during the year ended 31 March 2007. The total cost of salaries incurred for the research and development amounted to approximately US$0.91 million, US$0.85 million and US$0.85 million for the year ended 31 March 2007, 31 March 2008 and 31 March 2009, respectively.

PRODUCTION FACILITIES

Tongqing

The Group established Tongqing, a wholly foreign owned enterprise in the PRC, on 20 March 2007. Its production plant is located in Shenzhen. It possesses a mobile handset manufacturing licence and engages in the manufacture of finished mobile handset and assembly of PCB. Assembly operation of Tongqing commenced pilot run production in August 2007 and commenced mass production by the early of 2008. As at the Latest Practicable Date, Tongqing had installed five SMT lines, of which four of them are mass production and the remaining one is mainly for making samples and trial assembly, with a total annual capacity of approximately 5,000,000 pieces of PCBA (on the basis of 20 hours a day and 26 days a month) and 5,000,000 pieces of mobile handset (on the basis of 20 hours a day and 26 days a month).

Set forth below is a table of the quarterly average utilisation rate of the assembly capacity by production line functions for the periods indicated:

	Average utilisation rate	
	SMT	Assembly
2008		
April – June	48.4%	48.0%
July – September	81.4%	73.5%
October – December	54.1%	54.1%
2009		
January – March	39.3%	39.3%
April – June	77.2%	58.4%
July – September	72.2%	61.1%
October – December	80.5%	73.0%

The quarterly average utilisation rate of the assembly capacity ranges from approximately 39% to more than approximately 80%, depending on the sales order on hand. The low season of mobile handset assembly of the Group is normally from January to March of each year and the peak season of mobile handset assembly is normally from July to December of each year. Such seasonality is attributible to the nature of the seasonal fluctuation of demand from the mobile handset market in the PRC.

The production plant and office premises of Tongqing are located on a leased premise in Baoan District, Shenzhen, the PRC with a gross floor area of approximately 7,872 m^2. The lease has a term of approximately five years commencing on 16 April 2007 and ending on 1 March 2012. Under the terms of the lease, the Group has a right of first refusal to extend the lease under the same terms offered by other prospective tenants by giving one month's prior notice.

Although the premises occupied by Tongqing is the only production plant of the Group, the Directors consider that the expiration of the lease will not materially and adversely affect the operation of the Group due to the reasons listed below:

i) The crucial production facilities of Tongqing are comprised of five SMT lines which are removable and could be reinstalled in another premises should there is such a need;

ii) The management will rotate installation of each production line without complete cessation of the production if removal of the production plant is required;

iii) Similar and comfortable premises are readily available in Shenzhen, the PRC that allow the Group to move to another production plant when necessary;

iv) The SMT and assembly services could be outsourced to another parties; and

v) The Solution Segment is the major gross profit contributor to the Group and contribution of gross profit from the Assembly Segment were approximately nil, 6.78% and 19.51% for the three years ended 31 March 2007, 2008 and 2009 and approximately 40.90% for the six months ended 30 September 2009.

Therefore the Directors consider that the operation of the Group will not be materially and adversely affected if the Company fails to renew the lease agreement for the premises occupied by Tongqing. Since the lease of the premises will not expire until March 2012, the Directors consider that there is no immediate need to consider any plan to relocate its production plant. As the relocation does not require huge amount of capital investment and most of the current production machinery is removable, the Directors consider that cost of relocation will not substantially affect the cashflow of the Group and the time of relocation in affecting the operation of the Group is minimal.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Directors were not aware of any dispute as to the legal title of any such leased premises as at the Latest Practicable Date.

SALES AND MARKETING

The sales and marketing team is led by Mr. Wang and comprises 21 employees as at the Latest Practicable Date. The sales and marketing strategies of the Group are to establish and strengthen the business connections with certain selected customers in the PRC by providing products and services of high quality and consequently to promote general awareness of its Group by customers to other industry players in the PRC.

Thus, the Group has been very selective in soliciting its customers who will have to possess a high degree of management integrity, relevant and sufficient handset development and sales experience, good development prospects, sound financial position, production support backup and extensive sales network. This is to ensure that the products would be able to reach end-users on a timely basis with a satisfactory degree of penetration which would in turn increase the revenue of the Group, build up the reputation in the industry and maintain a sustainable business relationship with customers. The Directors consider the above strategies appropriate and successful.

Apart from formulating and executing the sales and marketing strategies, the sales and marketing team also carries out the following functions:–

- solicit orders from customers;
- collect feedback from customers on its products and to study improvement procedures with the research and development department;
- manage customer relationships through regular visits to its customers' offices;
- understand background of prospective customers; and
- collect industry information for the purposes of formulating business strategies and product definitions.

Looking ahead, the Group intends to further strengthen and expand its sales and marketing strategies by:

- increasing its efforts in actively soliciting new customers, including mobile handset manufacturers and mobile handset distributors;
- exploring business opportunities in overseas countries; and
- maintaining the quality of clientele.

The Group will constantly monitor the changes in the industry and adjust its sales and marketing strategies accordingly from time to time.

PRICING POLICY AND REVENUE RECOGNITION POLICY

The Group takes into consideration a number of factors in determining the pricing policies for its different business segments. In relation to the pricing policy for the mobile handset application and solution services, the Group shall take into account the cost for the research and development of such application and solution, and the purchase cost if the application software itself is purchased from other suppliers. For the mobile handsets under the brand of OEM customer and mobile handset components, the production and material cost with mark up will be assessed for pricing determination. The pricing policy for the Distribution and Marketing Segment of the Group is based on the reference with the average gross profit margins ranged from approximately 2% to approximately 7% during the Track Record Period.

In view of the market position of the mobile handset under Group's owned brand "***VIM***" or in Chinese "***偉恩***", factors including and production cost and market price of different tiers of mobile handsets marketed in the PRC and Hong Kong will be considered for determining the price of "***VIM***" or in Chinese "***偉恩***" mobile handset.

The revenue recognition of the Group depends on the terms stipulated in each of the sales agreement. Details of the revenue recognition policy is detailed in the accounting policy in note 4(w) as set out in Appendix I to this prospectus.

MAJOR CUSTOMERS

Since its commencement of operations, the Group has established good working relationships with its customers in Hong Kong and the PRC. During the Track Record Period, the Group's customers mainly included mobile handset manufacturers and mobile handset and mobile handset components distributors.

The revenue breakdown by types of customers of the Group during the Track Record Period was illustrated below:

	For the financial year ended 31 March						For the six months ended 30 September	
	2007		2008		2009		2009	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$*	*%*
Mobile handset manufacturers	5,117,370	11.06	31,202,718	26.09	26,659,003	25.73	4,298,395	7.85
Mobile handset and mobile handset components distributors	41,143,961	88.94	88,391,398	73.91	76,964,140	74.27	50,479,361	92.15
Individual and Shareholders	–	–	–	–	709	0.00	2,487	0.00
Total	46,261,331	100	119,594,116	100	103,623,852	100	54,780,243	100

The background information of the major customers contributed more than 10% of revenue of the Group for respective years/period during the Track Record Period was illustrated below:

Major customers with revenue contribution over 10% of the Group for the year ended 31 March 2007

Customer	Percentage of revenue	Business nature of the customer	Business segment served by the Group: Solution Segment	Assembly Segment	Distribution and Marketing Segment
A	25.73%	Principally engaged in research and development, production, sale of mobile handsets, LCD modules and DVD	Δ		Δ
B	15.89%	Principally engaged in the research and development and sale of computer communication and related software and hardware	Δ		Δ
C	10.42%	Principally engaged in the development and sale of electronic communication products	Δ		Δ

Major customers with revenue contribution over 10% of the Group for the year ended 31 March 2008

Customer	Percentage of revenue	Business nature of the customer	Business segment served by the Group: Solution Segment	Assembly Segment	Distribution and Marketing Segment
A	18.88%	Principally engaged in research and development, production, sale of mobile handsets, LCD modules and DVD	Δ	Δ	Δ
B	18.82%	Principally engaged in the research and development and sale of computer communication and related software and hardware	Δ		Δ
D	14.01%	Principally engaged in the trading and distribution of raw materials of battery	Δ		Δ
E	10.99%	Principally engaged in the manufacture and sale of POS board and components, and the research, manufacture and sale of mobile handset components	Δ		Δ

Major customers with revenue contribution over 10% of the Group for the year ended 31 March 2009

Customer	Percentage of revenue	Business nature of the customer	Business segment served by the Group: Solution Segment	Assembly Segment	Distribution and Marketing Segment
E	15.31%	Principally engaged in the manufacture and sale of POS board and components, and the research, manufacture and sale of mobile handset components	Δ		Δ
F	12.86%	Principally engaged in sales of communication products and project management		Δ	Δ

Major customers with revenue contribution over 10% of the Group for the six month ended 30 September 2009

Customer	Percentage of revenue	Business nature of the customer	Business segment served by the Group: Solution Segment	Assembly Segment	Distribution and Marketing Segment
F	13.81%	Principally engaged in sales of communication products and project management		Δ	Δ
G	13.07%	Principally engaged in sales of light industrial products			Δ
D	12.37%	Principally engaged in the trading and distribution of raw materials of battery		Δ	Δ

Note: "Percentage of revenue" refers to the revenue from respective customer on a percentage of revenue of the Group during the respective financial year/period.

With respect to the sale of mobile handset under the Group's owned brand "***VIM***" or in Chinese "***偉恩***", the Group entered into a consignment agreement ("PRC Consignment Agreement") with a PRC consumer electronic retail company, an Independent Third Party, for the sale of the "***VIM***" or in Chinese "***偉恩***" mobile handset through its retail chain stores in the PRC. The PRC Consignment Agreement was valid and effective till 31 December 2009. It was agreed under such consignment agreement that the parties shall commence negotiations for renewal for the agreement one month before the expiry date (i.e. 31 December 2009). If the PRC Consignment Agreement is not renewed on or before 31 December 2009, the same will be automatically renewed up to the date of the execution of the renewed agreement, subject to a maximum period of automatic extension of three months (i.e. up to 31 March 2010). If no renewed agreement is executed on or before 31 March 2010, the original PRC Consignment Agreement will terminate. As at the Latest Practicable Date, the Group has not yet started to negotiate with the PRC consumer electronic retail company for renewal of such consignment agreement. For any damaged goods reported by the retail company, the Group shall be responsible for collection or recall of the damaged ones within 10 days. The Group also provides warranties for its "***VIM***" or in Chinese "***偉恩***" mobile handsets under the terms of the PRC Consignment Agreement.

The Group has also entered into a distribution agreement ("HK Distribution Agreement") with a distributing company, an Independent Third Party, for the sale through retail chain stores of a consumer electronic retail company in Hong Kong. Pursuant to the HK Distribution Agreement, the Group would deliver to the distributing company the quantity of "***VIM***" or in Chinese "***偉恩***" mobile handset that the distributing company requires for sales from the retail chain stores of a consumer electronic retail company in Hong Kong. The Group would be responsible to pay all freight and shipping charges for the delivery of the mobile handset. However, the distributing company should be responsible for any loss of or damage to the "***VIM***" or in Chinese "***偉恩***" mobile handset upon receipt of the mobile handset, as the mobile handset are under its control. The distributing company should endeavor to the sales and distribution of the delivered mobile handset, however, the Group has the discretion on adjusting the sales prices. The distributing company should not sell the delivered mobile handset at below the prices defined by the Group. The distributing company should have a sole control on the distribution of the "***VIM***" or in Chinese "***偉恩***" mobile handset. Although the distributing company has a sole discretion on the business regarding the distribution, the delivered mobile handset should remain the property of the Group until sold in the regular course of business. Settlement between the Group and the distributing company regarding the distribution of the mobile handsets is on a monthly basis.

The Group has not recalled any of the products and components manufactured by the Group for the customers' brand during the Track Record Period. For the three financial years ended 31 March 2007, 2008 and 2009 and six months ended 30 September 2009, approximately 66%, 72%, 53% and 56% respectively of the Group's revenue was contributed by the top five customers of the Group, and approximately 26%, 19%, 15% and 14% respectively of the Group's revenue was contributed by the largest customer of the Group. Such top five customers of the Group are mainly manufacturers of mobile handsets, mobile handset components and PCBA, and are Independent Third Parties.

Amongst the top five customers, one of the subsidiaries of Zhenhua Group contributed approximately 9.83% of the revenue of the Group for the year ended 31 March 2009. The Directors confirm that neither the subsidiaries of Zhenhua Group nor Zhenhua Group was connected party to the Group as defined in the Listing Rules. The Directors also confirm that none of the Directors, their respective associates or, so far as the Directors are aware, any person who owns more than 5% of the issued share capital of the Company has any interest in any of the top five customers of the Group during the Track Record Period.

MAJOR SUPPLIERS

During the Track Record Period, the Group purchased finished mobile handsets and mobile handset components for trading purpose. For the three financial years ended 31 March 2007, 2008 and 2009 and six months ended 30 September 2009, approximately 93%, 77%, 47% and 66% respectively of the Group's total purchase was contributed by the top five suppliers of the Group, and approximately 55%, 43%, 24% and 23% respectively of the Group's procurement was contributed by the largest supplier of the Group. Such top five suppliers of the Group are Independent Third Parties.

Amongst the top five suppliers, one of the subsidiaries of Zhenhua Group and Full Wealth (Hong Kong) Limited accounted to approximately 54.80% and 30.80% of the purchase of the Group for the year ended 31 March 2007, approximately 42.90% and 23.98% for the year ended 31 March 2008 and approximately 24.03% and 8.26% for the year ended 31 March 2009. Amongst the top five suppliers, one of the subsidiaries of Zhenhua Group contributed approximately 23.44% of the purchase of the Group for the six months ended 30 September 2009. The Directors confirm that neither the subsidiaries of Zhenhua Group, Zhenhua Group nor Full Wealth (Hong Kong) Limited was connected party to the Group as defined in the Listing Rules. The Directors also confirm that none of the Directors, their respective associates or, so far as the Directors are aware, any person who owns more than 5% of the issued share capital of the Company has any interest in any of the top five suppliers of the Group during the Track Record Period.

QUALITY CONTROL

The Directors believe that the quality of the Group's products is essential and has implemented strict quality control programmes and has adopted certain quality assurance guidelines. As at the Latest Practicable Date, the Group had a total of 15 quality control staff working with different departments of the Group to ensure that the quality control are properly implemented.

- procurement – the Group has established a component supplier approval committee, comprising representatives of the development, quality control, operations and planning and procurement departments, led by senior management. The committee is responsible for compiling a list of approved component suppliers based on factors such as product quality, cost and service. The committee regularly reviews such approved supplier list. It is the Group's policy to only source components from approved reputable and reliable suppliers;

- application development and solution design – the Group's engineers work closely with the Group's quality control team and component procurement and supply team, to ensure that new products meet the quality assurance standards of the Group and of its customers;

- assembly and production – the Group's quality control team conducts quality control tests as to safety and reliability at different stages of the production process; and

- finished products – after the final assembly and production stage, all of the finished products are subject to quality control tests which include inspection of their external appearance, testing of functions of the mobile handset or the PCBA and testing under different environmental conditions.

INVENTORY MANAGEMENT

The Group's inventory comprises mainly (a) raw materials such as mobile handset hardware for production of mobile handset and assembly of PCB, and (b) finished goods such as PCBA, mobile handset and mobile handset hardware such as LCDs and digital cameras. In terms of the raw materials, the Group only keeps it as minimal level as possible so as to avoid any risks of piling up of the raw materials.

The following table sets forth the components of the Group's inventory as at the respective dates of the statement of financial position:

	At 31 March			At 30 September
	2007	**2008**	**2009**	**2009**
	US$	*US$*	*US$*	*US$*
Finished goods	2,073,209	6,011,276	2,735,741	1,106,080
Raw materials	–	459,451	859,205	5,764,276
Total	2,073,209	6,470,727	3,594,946	6,870,356

As shown above, the inventory level of the Group increased to approximately US$6.47 million as at 31 March 2008 from approximately US$2.07 million as at 31 March 2007. Such increase in the Group's inventory level was mainly attributable to the substantial growth in the business of distribution and marketing of mobile handsets and mobile handset components of the Group which led to the increase its inventory level to fulfill the growing demand for the Group's products, mobile handset hardware and components. Also, the commencement of production operation of Tongqing has started since August 2007 increased the inventory level of the Group in the period. Since then, the Group maintains the level of raw materials that production efficiency is properly maintained.

Owing to the financial crisis in late 2008 resulting the economic downturn, the market demand of the Group's products decreased, which led to the Group's decrease in its inventory level as a result of the more prudent inventory management policy. As at 31 March 2009, the Group recorded an inventory level amounted to approximately US$3.59 million, representing a decrease of approximately 44.44% comparing to inventory level as at 31 March 2008.

The inventory turnover days during the Track Record Period are as follows:

	For the financial year ended 31 March			For the six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
Inventory turnover days *(Note 1)*	21	23	14	7	25

Note:

(1) The inventory turnover days is based on the closing inventory divided by cost of goods sold during such period and then multiplied by the number of days during such period.

During the Track Record Period, the inventory turnover days has been gradually increased from approximately 7 days to approximately 25 days. The exceptional low inventory turnover days noted for the six months ended 30 September 2008 and the financial year ended 31 March 2009 was due to the prudent inventory management resulted from the global financial crisis in 2008.

The Group sets up a computerised inventory management system to record and update the ins and outs and balance of inventory. In order to minimise the inventory risk, regular meetings among various departments including sales and marketing, research and development, procurement and supply and production are held to review and decide the weekly and monthly sales and production plans. Procurement and supply teams also coordinate with suppliers to ensure on-time delivery of materials and components. Regular inventory counts are also conducted by the Group.

INTELLECTUAL PROPERTY

The Group sells its mobile handsets under the brand name "***VIM***" or in Chinese "***偉恩***".

The application for registration of "VIM" text mark had been refused by the Hong Kong Trade Marks Registry as the mark was considered to be indistinctive and descriptive. Such application was refused also on the ground that the "VIM" text mark was identical to certain previously registered trademarks, one of which was registered under the class of goods which the "VIM" text mark was also intended to be covered and the applied-for goods and services of the "VIM" text mark were similar to those of such registered marks.

The Directors considered that the impact on the refusal of the application for registration of "VIM" text mark by the Hong Kong Trade Marks Registry is insignificant and would not have material impact to the business of the Group as the Group's mobile handsets in the brand name of "VIM" are sold under the "VIM Logo" which, in view of the form of presentation, is substantially different from the "VIM" text mark. The refusal of the application for registration of "VIM" text mark by the Hong Kong Trade Marks Registry was due to an identical prior registration of the trade mark "VIM", which covered class 9 of computer hardware and computer software, computer hardware and software for voice message applications, excluding goods relating to vendor independent messaging, registered by another company. The products covered by such "VIM" text mark are not the same products the Group sold and therefore the legal adviser of the Company as to intellectual property laws advised that third party claims for infringement of intellectual property right against the Group for selling the mobile handsets under "VIM Logo" are unlikely to be successful.

As at the Latest Practicable Date, the Group has successfully registered a total of 13 trademarks in Hong Kong, the PRC, European Union, Singapore and Australia and has applied to registered, excluding any refusal or withdrawal of applications, a total of 38 trademarks in the PRC, Singapore, USA, Philippines, India, Indonesia, Vietnam, Malaysia, South Africa and European Union. In the opinion of the PRC legal adviser of the Company, to the Directors' knowledge, the Trademark Office of the State Administration for Industry and Commerce of the PRC would usually take about 3 months to approve a trademark application if it receives no objection from the public after publication of the application in the gazette.

As at the Latest Practicable Date, the Group has obtained 6 utility models and has submitted 35 invention applications and 4 utility model applications to the State Intellectual Property Bureau. The Group has also obtained 15 software product registrations, and 4 computer software copyright registration from National Copyright Administration of the PRC.

Details of the Group's intellectual property rights are set out in the paragraph headed "Intellectual property rights of the Group" in the section headed "Further Information about the Company and its subsidiaries" in Appendix V to this prospectus.

INSURANCE AND PRODUCT LIABILITY

The Group does not own any office or production premises. The landlords are responsible for the insurance of the properties leased to the Group to carry out its business and production operations. The Group has taken out insurance against damages (inclusive of fire damage) for the motor vehicles, machinery and warehouse in its Tongqing production plant.

However, the Group does not maintain product liability insurance in respect of their products nor insurance for third party liability claims and disruptions to business operations. To mitigate the risk of product liability claims, the Group adopts stringent quality control measures throughout the various stages from product development to production in order to ensure that the designs and finished goods comply with the relevant standards imposed by the respective government authorities.

The Group participates in the social security system as required under the relevant PRC laws and regulations for its employees in the PRC. For the employees in Hong Kong, the Group maintains employee compensation insurance that includes work injury under the regulatory requirements in Hong Kong and subsidize the individual medical insurance.

After the listing in SGX-ST in November 2007, the Group also has an insurance scheme for its Directors and officers under the corporate governance requirement.

During the Track Record Period and up to the Latest Practicable Date, there has been no past occurrence of product liability claims, third party liability claims or disruptions to business operations.

The Group will continue to closely monitor its exposures to various risks and take corresponding actions to mitigate such risks, such as maintaining appropriate insurance policies. In the event that there is material claim or damage or loss of assets that is uninsured, the financial results and financial position of its Group may be adversely affected. Please refer to the section headed "Risk Factors" of this prospectus for more details.

PROPERTIES

As at the Latest Practicable Date, the Group does not own any properties. However, the Group has leased 4 offices and 1 production premises with ancillary office and other facilities, as follows:

Location	Use	Gross Floor Area	Expiry of Lease	Lessor
Unit No. 5 on 6th Floor of Yen Sheng Centre, 64 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong	Sales and administration	1,740 ft^2	15 May 2010	Unigrade International Limited
Room 401, Building 14, West Part of Software Park Hi-Tech Park in the Second Road, Nanshan District, Shenzhen, the PRC	R&D centre and office	1,132.46 m^2	21 April 2013	深圳高新開發建設公司
Unit No. 1206, Block A of Jiazhaoye Centre, Shangbu South Road, Futian District, Shenzhen, the PRC	Office	39.8 m^2	31 July 2010	韋素芬
Unit No. 911 & 912, No. 800 Shangcheng Road, Pudong New District, Shanghai, the PRC	R&D centre and office	247 m^2	17 February 2010	上海軒潤日用禮品有限公司
Levels 2 & 3 of Blocks A, B & C of Jingangshan Industrial District, Jiuwei Society Road, Xixiang Street, Baoan District, Shenzhen, the PRC	Staff quarter	12,293 m^2	1 March 2012	永光實業(深圳)有限公司

Location	Use	Gross Floor Area	Expiry of Lease	Lessor
Level 1 of Block A, Jingangshan Industrial District, Jiuwei Society Road, Xixiang Street, Baoan District, Shenzhen, the PRC	Staff canteen	3,117.6 m^2	1 March 2012	永光實業(深圳)有限公司
Level 1 of Block 4, Jingangshan Industrial District, Jiuwei Society Road, Xixiang Street, Baoan District, Shenzhen, the PRC	Production plant	3,200 m^2	1 March 2012	永光實業(深圳)有限公司
Level 1 of Blocks 1, 2 and 3, Jingangshan Industrial District, Jiuwei Society Road, Xixiang Street, Baoan District, Shenzhen, PRC	Production plant and office	7,872 m^2	1 March 2012	永光實業(深圳)有限公司

Further particulars of the Group's property interests are set out in the valuation certificates of property valuation prepared by BMI Appraisals Limited, the text of which is set out in Appendix III to this prospectus.

AWARDS AND ACCREDITATIONS

The following has set out some of the significant awards and accreditations that were granted in relation to the Group's brand names or products up to the Latest Practicable Date:

Awards/accreditation	Endorsing organisation	Date
High-New Technology Enterprise certificate	Science and Technology Bureau of Shenzhen Government	29 June 2006
Shenzhen City's Key Software Enterprise	Science and Technology Bureau of Shenzhen Government	29 December 2008
Certificate for China compulsory product certification	China Quality Certification Centre	24 April 2009

ENVIRONMENTAL PROTECTION

The Group is subject to relevant PRC national and local environmental laws and regulations, including but not limited to the following:

- Environment Protection Law of the PRC (effective on 26 December 1989);
- Law of Prevention and Treatment of Water Pollution of the PRC (effective on 1 June 2008); and
- Law of Prevention and Treatment of Atmospheric Pollution of the PRC (effective on 1 September 2000).

COMPETITION

The Group offers its customers one stop service from product design to production of mobile handset. The Group faces competition in the provision of solutions design and the services at the various stages of the production process.

(a) Solutions design

The design, production and sale of mobile handset is a fast growing industry with rapid advancement in technology and fast changing consumer preferences for functions and physical appearance. These factors cause intense competition among the branded mobile handset manufacturers and the solutions houses that provide the mobile handset designs. Solutions houses compete principally on quality of design, cost effectiveness, time-to-market and general service quality. A solutions house has to be superior in all these aspects, in order to sustain its competitiveness.

The Group faces competition from domestic and overseas solutions houses. These competitors may have relative advantages in terms of a longer operating history and thus an established presence in the industry, technical and development know-how, rich financial resources and manpower, sufficiently large business volume to obtain better terms from hardware supplier and clientele with renowned mobile handset brand names that facilitates new client solicitation.

Nevertheless, the Group faces more competition from its domestic competitors than overseas design solutions houses as the former have relative advantages in costs and familiarity with the Chinese market. Among around 60 active mobile handset solution providers in the PRC, the Group regards its direct competitor if (i) its existing customers are primarily local PRC mobile handset vendors, operating in the mid range of the mobile handset market and (ii) it is a one stop service solutions house located in the major PRC cities of Beijing, Shanghai and Shenzhen, based on these criteria, the Group's key domestic competitors include:

- Longcheer Holdings Limited, engages in the development of mobile handset hardware, software, system testing and exterior design with total revenue of RMB2.85 billion and total assets of RMB1.07 billion for the year ended 30 June

2009. Its WCDMA export business is ranked the top three in the PRC and total shipments of the company amounted to 11.8 million units in 2009. It has R&D facilities in Shanghai, Beijing, Xi'an, Shenzhen and Singapore with 1,500 staffs and 55 companies of customer base.

- China Techfaith Wireless Communication, engages in the design and production of mobile handsets with total revenue of US$208.85 million and total assets of US$220.06 million for the year ended 31 December 2008. It has 1,300 staffs, of whom 1,170 are engineers. In February 2009, it launched nine new mobile handsets models specifically for the 3G network operators in China, including China Unicom and China Telecom.

- SIM Technology Group Limited, engages in the development of mobile handset, wireless communication and LCD modules with total revenue of HK$1.93 billion and total assets of HK$2.99 billion for the year ended 31 December 2008. It has 2,194 staffs, and launched 200 models and 37 mobile handset platforms with total shipments amounted to 25.24 million units in 2008.

(b) Supply chain management

The Group also faces competition from domestic and overseas companies which specialise in supply chain management and offer integrated service to the mobile handset industry. These competitors may have relative advantages in terms of a longer operating history and thus an established presence in the industry and clientele, rich financial resources and manpower. If an increasing number of companies that offer supply chain management services to the mobile handset industry also begin to provide design solutions in the PRC, the Group's uniqueness as a one stop service centre would be reduced.

The Group regards a competitor in the mobile handset products manufacturing and assembly industry in the PRC, if (i) it is an integrated provider of mobile handset components, modules manufacturing and assembly services with major manufacturing facilities in the PRC and (ii) the annual production capacity of mobile handset and components is not less than 10 million pieces. Based on these criteria, the Group considers that the competition among the competitors is intensive, as some of the competitors have greater manufacturing, financial, R&D or marketing resources or geographical reach. Nonetheless, the Group strive to maintain its competitiveness by providing strong product development capabilities and manufacturing services, maintaining high quality, providing competitive prices and offering reliable delivery.

To the best knowledge and belief of the Directors having made all reasonable enquires, as at the Latest Practicable Date, neither the Controlling Shareholders nor the Directors had any interest in a business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

LITIGATION

As at the Latest Practicable Date, none of the members of the Group was involved in or had been involved in any legal or arbitration proceedings of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group.

ADOPTION OF INTERNAL CONTROL POLICY

In order to strengthen its compliance mechanism for relevant regulations and to enhance the strength and effectiveness of the Group's corporate governance, the Group has taken and will apply the following internal control policy to ensure compliance with various applicable rules and regulations:

(a) distribution to and review by the Directors of detailed memorandum prepared by the legal adviser to the Company setting out the requisite on-going regulatory requirements and obligations of the Directors after Listing;

(b) training sessions attended by the Directors and senior management of the Group conducted by legal adviser to the Company on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;

(c) the appointment of three independent non-executive Directors with experience in financial, accounting and legal industries respectively. The Company will be able to draw on their experience with respect to the compliance with applicable legal, regulatory and financial reporting requirements;

(d) the company secretarial team will have access to external professional retained or to be retained by the Group from time to time if applicable, including the compliance adviser, external legal counsel, auditors and other advisers as necessary and will report directly to the Board;

(e) the establishment of an audit committee which comprises the independent non-executive Directors who would, among other things, review the internal control systems and procedures for compliance with the relevant accounting, financial and Listing Rules requirements. The audit committee has adopted a term of reference setting out in details its duties and obligations for ensuring compliance of regulatory requirements; and

(f) the appointment of SinoPac as the Company's compliance adviser to advise the Company on compliance matters in accordance with Rule 3A.19 of the Listing Rules.

The Sponsor considers that the above corporate governance measures will enable the Group to strengthen its internal control. The Sponsor is of the view that these measures, in addition to the standard measures employed by other newly listed companies, will provide a stronger foundation for the Group to more effectively identify and deal with compliance related matters and will provide assistance to the Directors in monitoring compliance of the Group with regulatory and legal requirements as a whole.

During the due diligence process, the Sponsor has not identified any material matter which will raise its concern as to the competence, integrity and characters of the Directors nor as to their suitability to act as Directors.

CONTINUING CONNECTED TRANSACTION

Having made all reasonable enquires, to the best knowledge, information and belief of the Directors, there was no continuing connected transaction between the Group and any connected person as at the Latest Practicable Date.

Upon Listing, the Group will observe the following practices to govern and monitor its future transactions with its connected persons:

i. the independent non-executive Directors shall review the terms of the transactions entered into or proposed to be entered into between the Group and the connected persons;

ii. for any transactions entered into between the Group and the connected persons, in the case where the independent non-executive Directors consider that the transactions are not fair and reasonable or are not in the interests of the Company and Shareholders as a whole, they will recommend the revision or termination of the transactions;

iii. the Company will provide all necessary information to assist the independent non-executive Directors in making up its opinion and recommendation;

iv. the connected transactions shall be reviewed by the auditors and the compliance adviser of the Company on an annual basis and necessary suggestions shall be made to the Group;

v. all connected transactions will be subject to compliance with the requirements of Chapter 14A of the Listing Rules; and

vi. the Company's interim and annual reports will contain summaries of the measures mentioned above in place in the relevant financial year and appropriate disclosure on how these measures have operated during the same period.