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## CORPORATE GOVERNANCE

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The Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability.

In accordance with the requirements of the Listing Manual, the Company has established an audit committee on 24 September 2007 and has appointed a qualified accountant to oversee the financial reporting procedures and internal controls of the Group so as to ensure compliance with the Listing Rules. As such, the Company is in compliance with the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules.

The Company has adopted a system of corporate governance.

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

The Company is also committed to the view that the independent non-executive Directors should be of sufficient caliber and number for their views to carry weight. The independent non-executive Directors, details of whom are set out in the section headed “Directors, senior management and staff” in this prospectus, are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment.

Pursuant to the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, there should be a clear division of responsibilities of management of the Board on the one hand and the day-to-day management of the Group’s business on the other hand to ensure a balance of power and authority, so that power is not concentrated in any individual. The roles of the chairman of the Company and the CEO should be separated and should not be performed by the same individual. Mr. Wang Shih Zen serves as the chairman of the Company while he is also the CEO of the Company since 2007. Since Mr. Wang has extensive experience in the telecommunication industry and strong contribution to the Group in research and development of mobile handset solution and application business, Mr. Wang is appointed to be in charge of leading the management in the day-to-day operations of the Group as the chief executive officer of the Group during the Track Record Period.

On the other hand, Mr. Wang was appointed as the chairman of the Company since the listing of the Shares on SGX-ST and is responsible for business strategic planning of the Group and regular communication among the Directors. In such regards, Mr. Wang is the suitable person and he is competent to act as both the chairman and chief executive officer of the Group. The Directors believe that the existing management structure will provide the Group the effectiveness and efficiency in management and implementation of the business plan, which may lead to the Group’s success. The Board will continue to review the current management structure of the Group from time to time and will make necessary changes when appropriate.

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Pursuant to the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules, the terms of the appointment for independent non-executive directors should have a fixed term. The independent non-executive directors are appointed subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the provision of the New Bye-laws.

The Directors are of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decision-making without the Controlling Shareholders being able to exercise considerable concentration of power or influence.

The New Bye-laws also provide that each Director shall retire from office at least once every three years. A retiring Director shall be eligible for re-election.

Pursuant to the Rule 221 of the Listing Manual, a foreign issuer must have at least two independent directors, resident in Singapore. After the re-designation of Mr. Lim Teck Leong David as non-executive Director on 3 February 2010, the Company has only one independent director resident in Singapore. The Board will appoint another independent director resident in Singapore to re-comply with the Listing Manual on or before 31 March 2010.

### **Audit committee**

The Company established the audit committee on 24 September 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set forth in appendix 14 to the Listing Rules. The primary duties of the audit committee include the review and supervision of the financial reporting processes and internal control systems of the Group. Currently, Mr. Chan Kam Loon, Mr. Guo Yanjun and Mr. Lo Hang Fong, all being independent non-executive Directors, and Mr. Lim Teck Leong David, being non-executive Director are members of the audit committee.

### **Remuneration committee**

The Company established the remuneration committee on 24 September 2007 with written terms of reference. The primary duties of the remuneration committee include reviewing the terms of remuneration packages, determining the award of bonuses. The remuneration committee has five members comprising Mr. Guo Yanjun, Mr. Chan Kam Loon, Mr. Lo Hang Fong, Mr. Lim Teck Leong David and Mr. Wang Shih Zen, three of whom are independent non-executive Directors.

### **Nominating committee**

A nominating committee was established by the Company on 24 September 2007 with written terms of reference. The primary duties of the nominating committee are to make recommendations to the Board on the appointment of Directors and the management of the Board succession. The members of the nominating committee are Mr. Lo Hang Fong, Mr. Chan Kam Loon, Mr. Guo Yanjun, Mr. Lim Teck Leong David and Mr. Wang Shih Zen.

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### THE GROUP'S INDEPENDENCE FROM ITS CONTROLLING SHAREHOLDERS

The Directors are of the view that the Group is capable of carrying on the businesses independently of, and does not place undue reliance on, the Controlling Shareholders and their respective Associates, taking into account the following factors:

- (i) financial independence – the Group has an independent financial system and relies principally on cash generated from operations and its bank facilities to carry on its business during the Track Record Period. This is expected to continue after the Listing;
- (ii) operational independence – the Group has established its own organisational structure comprising various individual departments, each with specific areas of responsibilities. The Group has not shared any operational resources, such as suppliers, customers, research and development, production facilities, sales and marketing and general administration resources with the Controlling Shareholders and their respective Associates;
- (iii) management independence – the Group aims at establishing and maintaining a strong and independent Board to oversee the Group's business while preserving the management and operational continuity of the Group. The Board includes a balanced composition of executive and non-executive Directors (including independent non-executive Directors) to effectively exercise independent judgment. The main functions of the Board include assessing the overall business plans and strategies of the Group, monitoring the implementation of such plans and strategies and the management of the Group. The Directors are of the view that the Group has an independent management team, which is led by a team of senior management with substantial experience and expertise in mobile handset industry, to implement the Group's policies and strategies. In addition, the business of the Group had been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date;
- (iv) Independence of major suppliers – the Directors confirm that none of the Controlling Shareholders, nor the Directors and their respective Associates, had any interest in with the major suppliers of the Group during the Track Record Period; and
- (v) Independence of major customers – the Directors confirm that none of the Controlling Shareholders, nor the Directors and their respective Associates, had any interest in with the major customers of the Group during the Track Record Period.