You should read the following discussion and analysis of the Company's financial condition and results of operations together with the financial information as at and for each of the years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with International Financial Reporting Standards. Potential investors should read the whole of the Accountants' Report set out in Appendix I to this prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. In evaluating the business of the Group, please refer to the section headed "Risk Factors" in this prospectus.

TRADING RECORD OF THE GROUP DURING THE TRACK RECORD PERIOD

The following table is a summary of the Group's audited consolidated results during the Track Record Period, as extracted from the Accountants' Report as set out in Appendix I to this prospectus. Potential investors should read this section in conjunction with the Accountants' Report as set out in Appendix I to this prospectus and not rely merely on the information contained in the section. The financial information as of and for the six months ended 30 September 2008 has not been audited.

Consolidated Income Statements

	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)	
Revenue	46,261,331	119,594,116	103,623,852	72,848,930	54,780,243
Cost of goods sold	(35,836,026)	(103,419,592)	(95,116,448)	(66,726,032)	(49,873,560)
Gross profit	10,425,305	16,174,524	8,507,404	6,122,898	4,906,683
Other income	38,578	576,463	1,256,790	580,060	244,639
Selling and distribution costs	(6,913)	(1,309)	(47,291)	(15,428)	(12,239)
Administrative expenses	(1,993,813)	(5,773,361)	(5,103,964)	(2,709,373)	(2,606,322)
Profit from operations	8,463,157	10,976,317	4,612,939	3,978,157	2,532,761
Finance costs	(139,236)	(792,127)	(543,701)	(211,118)	(183,899)
Share of profit of a jointly controlled entity	999,800	743,595	434,886	446,146	–
Profit before tax	9,323,721	10,927,785	4,504,124	4,213,185	2,348,862
Income tax expense	(446,076)	(810,000)	(593,608)	(308,008)	(347,500)
Profit for the year/period	8,877,645	10,117,785	3,910,516	3,905,177	2,001,362
Profit for the year/period attributable to:					
Owners of the Company	8,948,047	10,180,710	3,959,401	3,936,993	2,001,362
Minority interests	(70,402)	(62,925)	(48,885)	(31,816)	–
	8,877,645	10,117,785	3,910,516	3,905,177	2,001,362
Dividends					
Interim	257,069	–	–	–	–
Final	2,200,000	2,040,052	–	–	–
Earnings per share					
Basic (US cents) *(Note 1)*	2.18	2.31	0.80	0.79	0.40

Note:

1. **The earnings per share has not taken into account the 20,000,000 new Shares issued on 8 October 2009 pursuant to the subscription agreements dated on 24 September 2009 as such transaction occurred after the balance sheet date which did not affect the capital used to produce the profit and loss for the corresponding period.**

PRINCIPAL CONSOLIDATED INCOME STATEMENTS COMPONENTS

The following is an overview of the major revenue and expense components contributing to the audited trading record of the Group during the Track Record Period:

Revenue

The revenue of the Group is mainly derived from the Solution Segment, the Assembly Segment and the Distribution and Marketing Segment.

Referring to the revenue breakdown by business segment of the Group as set out in the table below, the revenue contribution from the Solution Segment, in terms of product mix, decreased from approximately 19.96% for the financial year ended 31 March 2007 to approximately 10.13% for the financial year ended 31 March 2008 and then further decreased to approximately 7.03% for the financial year ended 31 March 2009. The decrease in the revenue contribution from the Solution Segment, in terms of product mix, is mainly due to the fact that the Group started its assembly operations by Tongqing during the financial year ended 31 March 2008 and it further enhanced the revenue contribution from the Assembly Segment, in terms of product mix, for the financial year ended 31 March 2009, after its initial stage. As a result, the revenue contribution of the Assembly Segment, in terms of product mix, increased significantly from approximately 8.03% for the financial year ended 31 March 2008 to approximately 19.72% for the financial year ended 31 March 2009. Such increase in the revenue contribution from the Assembly Segment, in terms of product mix, for both of the financial years ended 31 March 2008 and 31 March 2009, further dragged down the revenue contributions from both of the Solution Segment and the Distribution and Marketing Segment, in terms of product mix. The revenue contribution from the Distribution and Marketing Segment, in terms of product mix, increased from approximately 80.04% for the financial year ended 31 March 2007 to approximately 81.84% for the financial year ended 31 March 2008 and then decreased to approximately 73.25% for the financial year ended 31 March 2009. The increase in the Distribution and Marketing Segment, in terms of product mix, for the financial year ended 31 March 2008 was mainly due to the growth of the mobile handset industry. The decrease in the Distribution and Marketing Segment, in terms of product mix, for the financial year ended 31 March 2009 was mainly due to the weakened consumer market in the PRC after the outbreak of the global financial crisis in late 2008.

The Group recorded a prominent increase in its revenue owing to the global booming economy noted during the financial year ended 31 March 2008. Although the Group established Tongqing as the Group's production plant for assembly of mobile handset and SMT of PCB and the Group successfully launched its first mobile handset under its brand during the financial year ended 31 March 2009, the Group recorded a downturn in its business due to the economic turmoil resulting from the financial crisis in late 2008. The revenue of the Group slightly dropped when comparing the results of the financial year ended 31 March 2008 to the one of the financial year ended 31 March 2009.

The revenue contribution from the Solution Segment, in terms of product mix, decreased from approximately 5.55% for the six months ended 30 September 2008 to approximately 3.44% for the six months ended 30 September 2009. The slight decrease was due to the overall change of product mix pattern noted in the current period when compared to the six months ended 30 September 2008. The revenue contribution from the Assembly Segment, in terms of product mix, increased from approximately 17.75% for the six months ended 30 September 2008 to approximately 28.33% for the six months ended 30 September 2009. Such increase was explained in detail in the above paragraph. As the general demand for the Group's one-stop solution service from product development to production was still weak for the six months ended 30 September 2009, the revenue contribution from the Distribution and Marketing Segment, in terms of product mix, decreased from approximately 76.70% for the six months ended 30 September 2008 to approximately 68.23% for the six months ended 30 September 2009.

The following table shows the breakdown of the revenue of the Group by business activities during the Track Record Period:

	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

The following table shows the breakdown of the Group's revenue by geographical locations during the Track Record Period:

	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
	46,261,331	100	119,594,116	100	103,623,852	100	72,848,930	100	54,780,243	100

The major business activities of the Group were conducted in the PRC during the Track Record Period, accounting for over 79% of the total revenue. Most of the revenue generated from Hong Kong was derived from the Distribution and Marketing Segment. The revenue generated from Hong Kong has been rising over the Track Record Period and reached to approximately 20.06% for the six months ended 30 September 2009 from approximately 5.16% of the Group's revenue for the financial year ended 31 March 2007 as a result of the increase in the spread of the geographical client base during the Track Record Period.

Cost of goods sold

The main components of the cost of goods sold include cost of services rendered and cost of inventories sold. The following table shows the breakdown of the cost of goods sold of the Group during the Track Record Period:

	For the financial year ended 31 March						For the six months ended 30 September			
	2007		2008		2009		2008		2009	
	US$	*%*	*US$*	*%*	*US$*	*%*	*US$* (unaudited)	*%*	*US$*	*%*
Cost of services rendered										
Depreciation of property, plant and equipment	–	–	359,816	0.35	873,091	0.92	331,721	0.50	377,106	0.76
Staff costs	914,373	2.55	1,304,652	1.26	2,264,251	2.38	1,249,618	1.87	1,056,272	2.12
Operating lease charges in respect of land and buildings	–	–	235,867	0.23	378,877	0.40	189,446	0.28	189,446	0.38
Amortisation of intangible assets	–	–	–	–	–	–	–	–	416,666	0.83
Other manufacturing overheads	422,434	1.18	1,153,782	1.11	2,025,516	2.13	670,692	1.01	520,401	1.04
	1,336,807	3.73	3,054,117	2.95	5,541,735	5.83	2,441,477	3.66	2,559,891	5.13
Cost of inventories sold	34,499,219	96.27	100,365,475	97.05	89,574,713	94.17	64,284,555	96.34	47,313,669	94.87
Total	35,836,026	100	103,419,592	100	95,116,448	100	66,726,032	100	49,873,560	100

The largest component of the cost of goods sold is cost of inventories sold arising from (i) the cost of the mobile handset and mobile handset components incurred for the Distribution and Marketing Segment; and (ii) the cost of raw materials and components used for the Assembly Segment. The cost of inventories sold represented more than 94% of the total cost of goods sold during the Track Record Period.

The remaining component of the cost of goods sold is cost of services rendered mainly arising from the staff costs for the Solution Segment and other manufacturing overheads for the Solution Segment and the Assembly Segment.

Gross profit and gross profit margin

The following table shows the breakdown of the Group's gross profit and gross profit margin by business activities during the Track Record Period:

Gross profit

	For the financial year ended 31 March			For the six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
Solution Segment	7,898,750	10,587,393	5,321,618	3,228,501	1,513,555
Assembly Segment	–	1,097,032	1,660,178	886,458	2,006,871
Distribution and Marketing Segment	2,526,555	4,490,099	1,525,608	2,007,939	1,386,257
Total	10,425,305	16,174,524	8,507,404	6,122,898	4,906,683

Gross profit margin

	For the financial year ended 31 March			For the six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	%	%	%	% (unaudited)	%
Solution Segment	85.53	87.43	73.01	79.88	80.23
Assembly Segment	–	11.42	8.12	6.85	12.93
Distribution and Marketing Segment	6.82	4.59	2.01	3.59	3.71
Overall	22.54	13.52	8.21	8.40	8.96

It is obvious that the Solution Segment rendered the highest gross profit margin ranging from approximately 73.01% to approximately 87.43% during the Track Record Period. The gross profit margin of the Solution Segment remained stable during the Track Record Period, except for the financial year ended 31 March 2009. The drop of the gross profit margin for the Solution Segment for the financial year ended 31 March 2009 was due to the decrease in demand of the mobile handset solution services of the Group caused by the economic turmoil since 2008, in which the cost of services mainly comprised with staff costs which are relatively independent from the sales level.

The gross profit margin of Assembly Segment ranged from approximately 6.85% to approximately 12.93% during the Track Record Period. The decrease in gross profit margin of the Assembly Segment from the financial year ended 31 March 2008 to the financial year ended 31 March 2009 was due to the increase in the unit production cost for the Assembly Segment. The increase in gross profit margin of the Assembly Segment from the financial year ended 31 March 2009 to the six months ended 30 September 2009 was due to the increase in revenue from new products which generated a higher gross profit margin.

The gross profit margin of the Distribution and Marketing Segment generated the lowest gross profit margin during the Track Record Period. As the Distribution and Marketing Segment only provides limited valued-added services to the customers and the selling price under this business segment has been negotiated on an arm's length basis, the gross profit margin derived from this business segment is therefore minimal.

Other income

Other income mainly comprises interest income, net foreign exchange gains, net fair value gains on derivative financial instruments and sundry income. Set forth below is the breakdown of the Group's other income:

	For the financial year ended 31 March			For the six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
Interest income	21,904	106,134	178,480	96,448	168,672
Foreign exchange gains, net	–	428,796	207,377	374,095	–
Fair value gains on derivative financial instruments, net	–	–	870,933	109,517	75,967
Sundry income	16,674	41,533	–	–	–
Total	38,578	576,463	1,256,790	580,060	244,639

Interest income is derived from the bank balances and time deposits.

Net foreign exchange gains are derived from (a) the difference between the actual rate and the book rate of the foreign monetary item when such foreign monetary item settled; and (b) translation differences arising from monetary items in foreign currencies. Such net foreign exchange gains were considered to be generated from the ordinary and usual course of the Group's businesses.

Net fair value gains on derivative financial instruments are derived from the realised and unrealised fair value gains on the foreign exchange forward contracts entered by the Group during the Track Record Period. The foreign exchange forward contracts were entered into US dollars/RMB and US dollars/HK dollars which are the major currencies of the Group used for its daily operations. Since both sales and cash receipts cycle and purchases and cash disbursements cycle were the critical business processes of the Group, the foreign exchange forward contracts were all used for hedging purpose and therefore such net fair value gains on derivative financial instruments were all generated from the ordinary and usual course of the Group's businesses.

Selling and distribution costs

Selling and distribution costs mainly represent advertisement and promotion cost for the Group's products and were maintained at an immaterial level during the Track Record Period, which was due to the Group's strategy to focus on establishing business connection with selected customers in the PRC by providing products and services of high quality instead of incurring unnecessary promotion and advertising costs.

Administrative expenses

Administrative expenses mainly comprise of salaries, bonuses, allowances and retirement benefits scheme contributions of administrative and management personnel including remuneration of directors, amortisation of intangible assets, depreciation, rental expenses and general administrative related expenses. For the three financial years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009, administrative expenses were approximately US$1.99 million, US$5.77 million, US$5.10 million, US$2.71 million and US$2.61 million respectively.

Finance costs

The Group's finance costs mainly represent interest on bank loans and bank overdraft, finance lease charges and interest on convertible loans. The increase in interest expenses on convertible loans from approximately US$83,000 for the financial year ended 31 March 2007 to approximately US$420,000 for the financial year ended 31 March 2008 was mainly due to the fact that the Company issued additional convertible loans of S$7 million during the financial year ended 31 March 2008, which in turn incurred additional interest expenses.

As required by the International Financial Reporting Standards, as at the date of issue of the convertible loan, the fair value of the derivative component of the convertible loan is determined by using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement. As such, the recognition of the finance costs is in accordance with the International Financial Reporting Standards. The following table sets out the breakdown of the Group's finance costs during the Track Record Period:

	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)	
Interest on bank loans and bank overdraft	56,485	158,075	341,672	122,831	125,940
Finance lease charges	–	177,110	174,920	88,287	56,638
Interest on convertible loans	82,751	420,426	–	–	–
Others	–	36,516	27,109	–	1,321
Total	139,236	792,127	543,701	211,118	183,899

Share of profit of a jointly controlled entity

Share of profit of a jointly controlled entity mainly comprised share of profit contributed by the Group's jointly controlled entity, Zhenhua Obee. On 22 May 2009, the Group entered into sale and purchase agreements for the disposal of the 42% equity interest in Zhenhua Obee. Completion of the disposal is expected to be on or before May 2010. There has been no share of profit of it since January 2009 under the terms and conditions of the aforementioned sale and purchase agreements.

Income tax expense

The income tax expense was calculated at the rates of tax prevailing in the countries or jurisdictions in which the Group operated, based on existing legislation, interpretations and practices in respect thereof. The following table sets forth the applicable income tax rates for the operating subsidiaries of the Group during the Track Record Period. To give details of applicable income tax rates of either subsidiaries located in BVI or subsidiaries being disposed of during the Track Record Period would, in the opinion of the Directors, result in particulars of excessive length.

	Notes	For the financial year ended 31 March			For the six months ended 30 September	
		2007	**2008**	**2009**	**2008** (unaudited)	**2009**
The Company	*(a)*	–	–	–	–	–
Elite Link	*(b)*	17.5%	17.5%	16.5%	16.5%	16.5%
Max Sunny	*(b)*	17.5%	17.5%	16.5%	16.5%	16.5%
PhoneLink	*(c)*	15%	15% or 18%	18% or 20%	18%	20%
Zeus	*(d)*	exempted	exempted or 9%	9% or 10%	9%	10%
Tongqing	*(e)*	exempted	exempted	exempted	exempted	exempted

Notes:

(a) **The Company** was incorporated in Bermuda and did not generate any assessable profits and was therefore not subject to profits tax in its jurisdiction. The Company is not subject to any tax in other jurisdiction.

(b) **Elite Link and Max Sunny**

These companies were incorporated in Hong Kong. Hong Kong Profits Tax was provided for based on any of the assessable profits arising in or derived from Hong Kong during each of the assessable year/period.

(c) **PhoneLink**

Under the Provisional Statute on the Income Tax of the PRC on Enterprises and Implementing Rules of Provisional Statute on the Income Tax of the PRC on Enterprises, the income tax on enterprises in the PRC shall be levied at the rate of 33%. However, according to Notice on the Applicable Income on Domestic-investment Joint Venture in Pudong New Area of Shanghai Municipal, the applicable income tax rate for Domestic-investment Joint Ventures and wholly owned by the domestic enterprises which are newly established within Pudong New Area (excluding banks and insurance companies) should be 15%. As such, the applicable tax rate for PhoneLink is 15%. After the new PRC Enterprise Income Tax law passed by the Tenth National People's Congress on 16 March 2007, the new tax law had been effective from 1 January 2008. As such, the tax rate, under the grandfathering of incentives, changed to 18% and 20% for the years ended 31 December 2008 and 2009 respectively. PhoneLink did not have any assessable profits during the Track Record Period.

(d) Zeus

Zeus is entitled to an exemption from Foreign Enterprise Income Tax ("FEIT") for the first two years and a 50% reduction in FEIT for the next three years thereafter, commencing from the first profit making calendar year, after offsetting all recognised tax losses carried forward (such carried forward losses shall be limited to tax losses carried forward from the previous five calendar years) ("Tax Holiday"). Zeus is an established software enterprise in PRC and is entitled to Tax Holiday. Its first profitable year is financial year ended 31 December 2006. Accordingly, no tax provision was provided for Zeus for the period from 1 January 2006 to 31 December 2007. After the new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007, the new tax law had been effective from 1 January 2008. As such, the tax rate, under the grandfathering of incentives, changed to 9% and 10% for the years ended 31 December 2008 and 2009 respectively.

(e) Tongqing

Tongqing is entitled to a Tax Holiday during the Track Record Period. Its first profitable year is financial year ended 31 December 2008. Accordingly, no provision for tax would be needed for Tongqing for the next 2 coming years starting from 1 January 2008.

The Directors confirmed that the Group has made all the required tax filings and has paid all outstanding tax liabilities with the relevant tax authorities, and the Group is not subject to any dispute or potential dispute with the tax authorities.

Profit for the year/period and the net profit margin for the year/period

The Group's profit for the year increased from approximately US$8.88 million for the financial year ended 31 March 2007 to approximately US$10.12 million for the financial year ended 31 March 2008 but then decreased to approximately US$3.91 million for the financial year ended 31 March 2009. The fall in the net profit for the financial year ended 31 March 2009 was due to the continuous drop in the net profit margin as a result of the slackening consumer market due to the global financial crisis. The net profit margin decreased from approximately 19.19% for the financial year ended 31 March 2007 to approximately 8.46% for the financial year ended 31 March 2008 and dropped further to approximately 3.77% for the financial year ended 31 March 2009.

For the financial year ended 31 March 2008, the increase in the profit for the year, despite a drop in the net profit margin, were mainly attributable to the commencement of the newly established Tongqing production plant under the Assembly Segment commenced to generate revenue and profit.

Notwithstanding the fact of expanding revenue and profit for the financial year ended 31 March 2008, the Group was unable to maintain the profit growth for the financial year ended 31 March 2009. The Group experienced a decrease of approximately 61.35% in its net profit for the financial year ended 31 March 2009 and a drop in net profit margin from approximately 8.46% for the financial year ended 31 March 2008 to approximately 3.77% for the financial year ended 31 March 2009. The Directors attributed the decline and reduction in the net profit margin for the financial year ended 31 March 2009 primarily due to (i) the Group's reduction in its gross profit margin from approximately 13.52% for the financial year ended 31 March 2008 to approximately 8.21% for the financial year ended 31 March 2009 as a result of slackening consumer market; (ii) special discounts amounted to approximately US$0.98 million were granted to certain customers, which were among the top five customers during the financial year ended 31 March 2009, on one-off basis mainly for establishment of the long term business relationship between the Group and such customers; and (iii) decrease in the share of profit of a jointly controlled entity.

The effect of the global financial crisis in late 2008 continued in the first quarter of the financial year ending 31 March 2010 of the Group. The Group recorded a decrease in net profit of approximately US$1.90 million for the six months ended 30 September 2009 when comparing to the corresponding period in 2008.

FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS

The Group's results of operations and financial condition have been and will continue to be affected by a number of factors, including but not limited to the following factors as set forth below:

Ability to compete effectively against intense competition

Although the Group was one of the solutions houses in the PRC that could offer customers a one stop service from product design to production support for mobile handset, the Group nonetheless faces intense competition in the provision of design solutions. The mobile handset industry is characterised by rapid technological developments and changing market preferences. These factors result in the frequent introduction of new products, short product life cycles, continually evolving mobile handset specifications and significant price competition. If the Group is unable to design new mobile handset models in a timely and cost-efficient manner to keep abreast with these technological developments and changing market preferences, its business and financial results may be adversely affected.

General economic condition

The Group generated approximately over 79% of its revenue from the PRC and the rest of approximately 20% from Hong Kong during the Track Record Period. The general economic conditions, the levels of disposable income and consumer spending in the PRC and in Hong Kong where the Group's customers are located, therefore, have a substantial impact on the Group's results of operations and financial condition. The PRC has experienced significant economic growth in recent years. The Directors believe that the increase in the purchasing power of the PRC residents has continued to drive sentiment towards the purchase of brand new mobile handset which has positively affected the Group's results of operations. However, the lingering impact from the financial turmoil and credit crunch have created uncertainties on the global economy and caused economic downturn as well as decrease in consumer spending in most countries. As a consequence, it is expected that consumers in the PRC and Hong Kong may reduce their spending on purchasing new mobile handset. Should the economic downturn and decrease in consumer spending continue, the Group's business, financial condition and results of operations may be adversely affected.

Research and development

The Group is engaged in mobile handset industry, which is characterised by high degree of changing customers preference. Therefore, one of the main success factors of the Group's sustainable growth relies on the Group's research and development ability to develop innovative design solutions which are applied with the latest technological developments and the market trends. If the Group is unable to retain the research and development personnel and unable to find suitable replacements within a short period of time, the Group's ability to produce competitive design solutions would be questioned and accordingly, the Group's business and financial performance would be adversely affected.

Ability to execute the future plans

The Group has identified several growth plans. These plans include, inter alia, the enhancement of the product development capabilities and the enlargement of the product mix. The implementation of these plans may incur additional costs. There is no assurance that the implementation of the future plans will be commercially successful. Failure to do so will result in the Group incurring expenses and resources without a corresponding increase in revenue and the Group's financial performance and results may be adversely affected.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 September 2009 comparing to six months ended 30 September 2008

Revenue

The revenue of the Group decreased by approximately US$18.07 million from approximately US$72.85 million for the six months ended 30 September 2008 to approximately US$54.78 million for the six months ended 30 September 2009. The overall decrease was mainly due to the general decrease in revenue in the first quarter of the financial year ending 31 March 2010, compared to the previous corresponding period which resulted from the financial crisis started in 2008. The decrease in the first quarter of the financial year ending 31 March 2010 offset the increase in the revenue derived from the Assembly Segment and the Distribution and Marketing Segment in the second quarter of the financial year ending 31 March 2010, compared to the previous corresponding period.

Cost of goods sold

The cost of goods sold of the Group decreased by approximately US$16.86 million from approximately US$66.73 million for the six months ended 30 September 2008 to approximately US$49.87 million for the six months ended 30 September 2009. The decrease in the cost of goods sold of the Group was in line with the decrease in revenue of the Group during the period.

Gross profit and gross profit margin

The gross profit of the Group was decreased by approximately US$1.21 million from approximately US$6.12 million for the six months ended 30 September 2008 to approximately US$4.91 million for the six months ended 30 September 2009. In contrast, the gross profit margin increased from approximately 8.40% for the six months ended 30 September 2008 to approximately 8.96% for the six months ended 30 September 2009. The increase in the gross profit margin was mainly due to the increase in contribution from certain new revenue contributors in the Assembly Segment, which generated a higher gross profit margin.

Selling and distribution costs

The selling and distribution costs of the Group decreased by approximately US$3,000 from approximately US$15,000 for the six months ended 30 September 2008 to approximately US$12,000 for the six months ended 30 September 2009. However, the amount was insignificant to the Group's operation.

Administrative expenses

The administrative expenses of the Group decreased by approximately US$0.10 million from approximately US$2.71 million for the six months ended 30 September 2008 to approximately US$2.61 million for the six months ended 30 September 2009 as a result of the "net-off" effect from the one-off expenses in relation to the primary dual listing project, which offset the decrease in the cost savings effect in administrative expenses through the cost implementation started in the third quarter of the financial year ended 31 March 2009.

Profit from operations

The profit from operations of the Group decreased by US$1.45 million from approximately US$3.98 million for the six months ended 30 September 2008 to approximately US$2.53 million for the six months ended 30 September 2009. Such decrease was due to the decrease in the revenue of the Group during the period despite of the slight increase of gross profit margin by 0.56% for the six months ended 30 September 2009.

Finance costs

The finance costs decreased by approximately US$0.03 million from approximately US$0.21 million for the six months ended 30 September 2008 to approximately US$0.18 million for the six months ended 30 September 2009. The decrease was mainly due to the general decrease in the bank interest borrowing rate as a result of the global economic turmoil.

Share of profit of a jointly controlled entity

Share of profit of a jointly controlled entity decreased by 100% from approximately US$0.45 million for the six months ended 30 September 2008 to nil for the six months ended 30 September 2009. The decrease was mainly due to the proposed disposal of Zhenhua Obee.

Profit before tax

Profit before tax of the Group decreased by US$1.86 million from approximately US$4.21 million for the six months ended 30 September 2008 to approximately US$2.35 million for the six months ended 30 September 2009. Such decrease was a combination effect of the decrease in both of the revenue of the Group and the share of profit of a jointly controlled entity.

Income tax expense

Income tax expense of the Group increased by approximately US$0.04 million from approximately US$0.31 million for the six months ended 30 September 2008 to approximately US$0.35 million for the six months ended 30 September 2009. Such increase was a combination effect of the decrease in the share of profit of a jointly controlled entity which is not taxable and the increase in the applicable income tax rate of Zeus from 9% for the six months ended 30 September 2008 to 10% for the six months ended 30 September 2009.

Profit for the period

Net profit of the Group decreased by approximately US$1.91 million from approximately US$3.91 million for the six months ended 30 September 2008 to approximately US$2.00 million for the six months ended 30 September 2009, which was primarily due to the factors described above.

Financial year ended 31 March 2009 comparing to the financial year ended 31 March 2008

Revenue

The revenue of the Group decreased by approximately US$15.97 million from approximately US$119.59 million for the financial year ended 31 March 2008 to approximately US$103.62 million for the financial year ended 31 March 2009. The decrease was partially offset by the Assembly Segment that was accounted for on a 12 months basis during the financial year ended 31 March 2009 which was only accounted for on a 7 months basis during the financial year ended 31 March 2008.

The overall decrease of revenue was mainly due to the continuous drop in demand resulting from the weak consumer market in the PRC after the outbreak of the global financial crisis in late 2008 which had a prolonged and far-reaching effect on all industry sectors.

Cost of goods sold

The costs of goods sold of the Group decreased by approximately US$8.30 million from approximately US$103.42 million for the financial year ended 31 March 2008 to approximately US$95.12 million for the financial year ended 31 March 2009. Such decrease was generally in line with the decrease in revenue of the Group.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately US$7.66 million from approximately US$16.17 million for the financial year ended 31 March 2008 to approximately US$8.51 million for the financial year ended 31 March 2009. Such decrease was due to the overall decrease in the gross profit margin.

The gross profit margin of the Group decreased by approximately 5.31% from approximately 13.52% for the financial year ended 31 March 2008 to approximately 8.21% for the financial year ended 31 March 2009. The decrease in gross profit and gross profit margin was mainly due to (i) slackening consumer market; (ii) special discounts amounted to approximately US$0.98 million granted to certain customers, which were among the top five customers during the financial year ended 31 March 2009, on one-off basis mainly for establishment of the long term business relationship between the Group and such customers; and (iii) decrease in the share of profit of a jointly controlled entity.

Selling and distribution costs

The selling and distribution costs of the Group increased by approximately US$46,000 from approximately US$1,300 for the financial year ended 31 March 2008 to approximately US$47,300 for the financial year ended 31 March 2009. Such increase was mainly due to the additional cost spent for promoting the Group's self-developed handset, "***VIM***" or in Chinese "***偉恩***", which was launched in late 2008.

Administrative expenses

The administrative expenses of the Group decreased by approximately US$0.67 million from approximately US$5.77 million for the financial year ended 31 March 2008 to approximately US$5.10 million for the financial year ended 31 March 2009. Such decrease was due to the effective implementation of the cost saving measures resulting in more efficient control of certain running costs such as salaries, welfare, travelling and communication.

Profit from operations

The profit from operations of the Group decreased by approximately US$6.37 million from approximately US$10.98 million for the financial year ended 31 March 2008 to approximately US$4.61 million for the financial year ended 31 March 2009. Such decrease was due to the decrease in gross profit margin.

Finance costs

Finance costs of the Group decreased by approximately US$0.25 million from approximately US$0.79 million for the financial year ended 31 March 2008 to approximately US$0.54 million for the financial year ended 31 March 2009. Such decrease was mainly due to the decrease in interest expenses in relation to the conversion of the convertible loans of the Company into the Shares in September 2007 and no interest has been charged since then.

Share of profit of a jointly controlled entity

Share of profit of a jointly controlled entity decreased by approximately US$0.31 million from approximately US$0.74 million for the financial year ended 31 March 2008 to approximately US$0.43 million for the financial year ended 31 March 2009. Such decrease was mainly due to the increase in cost of production, which led to the decrease in gross profit margin of the jointly controlled entity.

Profit before tax

Profit before tax of the Group decreased by approximately US$6.43 million from approximately US$10.93 million for the financial year ended 31 March 2008 to approximately US$4.50 million for the financial year ended 31 March 2009. Such decrease was in line with the decrease in gross profit margin and the decrease in the share of profit of a jointly controlled entity.

Income tax expense

Income tax expense of the Group decreased by approximately US$0.22 million from approximately US$0.81 million for the financial year ended 31 March 2008 to approximately US$0.59 million for the financial year ended 31 March 2009. Such decrease was in line with the decrease in profit before tax. The increase in effective tax rate from approximately 7.41% for the financial year ended 31 March 2008 to approximately 13.18% for the financial year ended 31 March 2009 was mainly due to the first taxable and profitable financial year of Zeus starting from its financial year ended 31 December 2008 and an increase in tax rate of Zeus from 9% for the financial year ended 31 December 2008 to 10% for the three months ended 31 March 2009.

Profit for the year

Net profit of the Group decreased by approximately US$6.21 million from approximately US$10.12 million for the financial year ended 31 March 2008 to approximately US$3.91 million for the financial year ended 31 March 2009, which was primarily due to the factors described above.

Financial year ended 31 March 2008 comparing to the financial year ended 31 March 2007

Revenue

The revenue of the Group increased by approximately US$73.33 million from approximately US$46.26 million for the financial year ended 31 March 2007 to approximately US$119.59 million for the financial year ended 31 March 2008.

The overall increase in revenue was mainly due to the growth of the mobile handset industry and the increase in demand of the Group's business of the Solution Segment and the Distribution and Marketing Segment. In addition, the Group had commenced generating income from its Assembly Segment during the financial year ended 31 March 2008.

Cost of goods sold

The costs of goods sold of the Group increased by approximately US$67.58 million from approximately US$35.84 million for the financial year ended 31 March 2007 to approximately US$103.42 million for the financial year ended 31 March 2008. Such increase was generally in line with the increase in revenue of the Group.

Gross profit and gross profit margin

The gross profit of the Group increased by approximately US$5.74 million from approximately US$10.43 million for the financial year ended 31 March 2007 to approximately US$16.17 million for the financial year ended 31 March 2008. Such increase was generally in line with the increase in revenue of the Group.

The gross profit margin of the Group decreased by approximately 9.02% from approximately 22.54% for the financial year ended 31 March 2007 to approximately 13.52% for the financial year ended 31 March 2008. Such decrease in gross profit and gross profit margin was mainly due to the increase in contribution from the Distribution and Marketing Segment which has the lowest gross profit margin amongst all business segments of the Group.

Selling and distribution costs

The selling and distribution costs of the Group decreased by approximately US$5,600 from approximately US$6,900 for the financial year ended 31 March 2007 to approximately US$1,300 for the financial year ended 31 March 2008 which was insignificant to the Group's operation.

Administrative expenses

The administrative expenses of the Group increased by approximately US$3.78 million from approximately US$1.99 million for the financial year ended 31 March 2007 to approximately US$5.77 million for the financial year ended 31 March 2008. The increase was mainly due to the non-recurring expenses related to the initial public offering of the Shares in SGX-ST and issue of convertible loans and the increase in recurring expenses due to the commencement of assembly arm in August 2007.

Profit from operations

The profit from operations of the Group increased by approximately US$2.52 million from approximately US$8.46 million for the financial year ended 31 March 2007 to approximately US$10.98 million for financial year ended 31 March 2008. Such increase was generally in line with the increase in revenue of the Group.

Finance costs

Finance costs of the Group increased by approximately US$0.65 million from approximately US$0.14 million for the financial year ended 31 March 2007 to approximately US$0.79 million for the financial year ended 31 March 2008. Such increase was mainly due to the interest for the finance lease of the plant and machinery for Tongqing arising from the arrangement of the finance lease of the plant and machinery used in the Group's assembly arm for the financial year ended 31 March 2008 and the increase in interest expenses in relation to the arrangement of trust receipt loans and short term bank loans by the Group during the financial year ended 31 March 2008 for capture the growth of the Group's business.

Share of profit of a jointly controlled entity

Share of profit of a jointly controlled entity decreased by approximately US$0.26 million from approximately US$1.00 million for the financial year ended 31 March 2007 to approximately US$0.74 million for the financial year ended 31 March 2008. Such decrease was mainly due to the increase in cost of production, which led to the decrease in gross profit margin of the jointly controlled entity.

Profit before tax

Profit before tax of the Group increased by approximately US$1.61 million from approximately US$9.32 million for the financial year ended 31 March 2007 to approximately US$10.93 million for the financial year ended 31 March 2008. Such increase was in line with the increase in revenue of the Group.

Income tax expense

Income tax expense of the Group increased by approximately US$0.36 million from approximately US$0.45 million for the financial year ended 31 March 2007 to approximately US$0.81 million for the financial year ended 31 March 2008. The increase in effective tax rate from approximately 4.78% for the financial year ended 31 March 2007 to approximately 7.41% for the financial year ended 31 March 2008 was mainly due to (i) the exceptional non-recurring expenses related to the initial public offering of the Shares in SGX-ST which was not allowable for tax deduction; and (ii) the first taxable and profitable year of Zeus starting from its financial year ended 31 December 2008.

Profit for the year

Net profit of the Group increased by approximately US$1.24 million from approximately US$8.88 million for the financial year ended 31 March 2007 to approximately US$10.12 million for the financial year ended 31 March 2008, which was primarily due to the factors described above.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's financial information has been prepared in accordance with the International Financial Reporting Standards ("IFRSs"). The preparation of the financial information in conformity with IFRSs requires the Group's management to adopt accounting policies and make estimates and assumptions that affect amounts reported to the Group's financial information.

The preparation of financial information often requires the selection of specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and judgments may be required in selecting and applying those methods and policies in the recognition of the assets and liabilities in the Group's consolidated statements of financial position, the revenue and expenses in the Group's consolidated income statements and consolidated statements of comprehensive income and the information that is contained in the significant accounting policies and notes to the Group's financial information. The management continually evaluates its estimates and judgments based on historical experience and other factors, including expectations of future events, that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgments under different assumptions or conditions.

We believe that the following are some of the more critical accounting policies under IFRSs that affect the Group's reported financial condition and results of operations. For a further discussion of the application of these and other accounting policies, please refer to Note 4 in the Accountants' Report set out in Appendix I to this prospectus.

(a) Consolidation

The Financial Information includes the financial statements of the Group made up to 31 March. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any remaining goodwill relating to the subsidiary and also any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated statements of financial position and consolidated statements of changes in equity within equity. Minority interests are presented in the consolidated income statements and consolidated statements of comprehensive income as an allocation of profit or loss for the year/period between minority interests and owners of the Company ("majority interests"). Losses applicable to the minority in excess of the minority interests in the subsidiary's equity are allocated against the majority interests except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the majority interests until the minority interests' share of losses previously absorbed by majority has been recovered.

In the Company's statements of financial position the investment in a subsidiary is stated at cost less allowance for impairment losses. The result of the subsidiary is accounted for by the Company on the basis of dividends received and receivable.

(b) Business combination (other than Restructuring Exercise) and goodwill

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets, liabilities and contingent liabilities of the subsidiary in an acquisition are measured at their fair values at the acquisition date.

The excess of the cost of acquisition over the Group's share of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated income statements.

Goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is measured at cost less accumulated impairment losses. The method of measuring impairment losses of goodwill is the same as that of other assets as stated in the Note 4(ac) in the Accountants' Report set out in Appendix I to this prospectus. Impairment losses of goodwill are recognised in the consolidated income statements and are not subsequently reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the acquisition for the purpose of impairment testing.

The interests of minority shareholders in the subsidiary is initially measured at the minority's proportion of the net fair value of the subsidiary's identifiable assets, liabilities and contingent liabilities at the acquisition date.

(c) Business combination under Restructuring Exercise

In connection with the listing of the Company's share on the SGX-ST on 21 November 2007, the Group underwent a restructuring exercise (the "Restructuring Exercise") on 28 March 2007. Details of the Restructuring Exercise is more fully explained in the Section headed "Business – History and Development" in this prospectus.

The Restructuring Exercise involved companies which are under common control since all of the entities which took part in the Restructuring Exercise were controlled by the same ultimate shareholders before and immediately after the Restructuring Exercise. Consequently, immediately after the Restructuring Exercise, there was a continuation of the risks and benefits to the ultimate shareholders that existed prior to the Restructuring Exercise.

The Restructuring Exercise had been accounted for using the pooling of interests method, under which the Company had been treated as the holding company of its subsidiaries during the Relevant Periods or since their respective dates of incorporation or acquisition whichever was shorter. Accordingly, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended

31 March 2007 included the results of operations and cash flows of the Company and its subsidiaries as if the structure of the Group on 31 March 2007 had been in existence throughout the year ended 31 March 2007, except for companies newly set up during the year ended 31 March 2007 and companies accounted for using purchase method of accounting were included in the Financial Information since their respective dates of incorporation or acquisition whichever was shorter.

(d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed in the consolidated income statements during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Plant and machinery	10%
Furniture, fixtures, equipment and motor vehicles	20% – 25%
Leasehold improvements	20% – 25%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

For acquisition and disposal during the Relevant Periods, depreciation is provided from the month of acquisition to the month before disposal. Fully depreciated property, plant and equipment are retained in the book of accounts until they are no longer in use.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the consolidated income statements.

(e) Computer software sublicense, license and CDMA software solutions

Computer software sublicense, license and CDMA software solutions are measured initially at purchase costs and are amortised on a straight-line basis over their estimated useful lives of three years less impairment losses.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. Cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

(g) Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

Investments are classified as either financial assets at fair value through profit or loss or available-for-sale financial assets.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either investments held for trading or designated as at fair value through profit or loss upon initial recognition. These investments are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in the income statement.

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets not classified as trade and other receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised directly in equity, until the investments are disposed of or are determined to be impaired, at which time the cumulative gains or losses previously recognised in equity are recognised in the income statement.

Impairment losses recognised in the income statement for equity investments classified as available-for sale financial assets are not subsequently reversed through the income statement.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition. An impairment loss is recognised in income statement where there is objective evidence that the asset is impaired. The amount of the impairment loss is measured as the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses will not reverse in subsequent periods.

(h) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated income statements.

Impairment losses are reversed in subsequent periods and recognised in the consolidated income statements when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

(i) Convertible loans

Convertible loans which entitle the holder to convert the loans into equity instruments, other than into a fixed number of equity instruments at a fixed conversion price, are regarded as combined instruments consist of a liability and a derivative component. At the date of issue, the fair value of the derivative component is determined using an option pricing model; and this amount is carried as a derivative liability until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the liability component and is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption. The derivative component is measured at fair value with gains and losses recognised in the income statement.

Transaction costs are apportioned between the liability and derivative components of the convertible loans based on the allocation of proceeds to the liability and derivative components on initial recognition.

(j) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of each reporting period. Deferred tax is recognised in the income statement, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overview

During the Track Record Period, the Group's operations were generally financed through a combination of owners' equity, internally generated cash flows and bank borrowings. The Directors believe that in the long term, the Group's operations will be funded by internally generated cash flows and, if necessary, additional equity financing and bank borrowings.

Net current assets

Details of the Group's current assets and liabilities as of respective dates of the consolidated statements of the financial position are extracted as follows:

		At 31 March		At 30 September
	2007	**2008**	**2009**	**2009**
	US$	*US$*	*US$*	*US$*
Current assets				
Inventories	2,073,209	6,470,727	3,594,946	6,870,356
Trade receivables	3,886,598	24,041,113	19,086,865	20,887,985
Prepayments, deposits and other receivables	2,262,342	1,280,182	3,620,978	8,018,574
Derivative financial instruments	–	91,460	285,831	132,000
Assets of disposal group classified as held for sale	–	–	1,726,321	–
Jointly controlled entity classified as held for sale	–	–	3,005,224	3,005,224
Due from a jointly controlled entity/jointly controlled entity classified as held for sale	–	706,941	–	–
Due from related parties	656,440	–	–	–
Current tax refundable	25,652	25,652	–	–
Restricted bank balances	715,000	3,010,995	6,299,692	3,330,352
Bank and cash balances	5,906,121	20,411,008	28,186,543	25,960,125
	15,525,362	56,038,078	65,806,400	68,204,616

	At 31 March 2007	2008	2009	At 30 September 2009
	US$	*US$*	*US$*	*US$*
Current liabilities				
Trade and bills payables	475,194	9,662,135	3,305,326	6,977,308
Due to directors	81,232	–	–	–
Due to a related party	8,446	–	–	–
Accruals and other payables	326,650	1,495,409	2,678,755	2,202,219
Derivative component of convertible loans	105,152	–	–	–
Bank loans	1,463,514	1,269,396	4,638,218	2,798,804
Other loans	–	–	–	435,733
Trust receipt loans	715,000	1,775,829	8,172,422	8,730,138
Derivative financial instruments	–	136,460	–	–
Finance lease payables	–	1,054,169	1,178,969	1,205,562
Current tax liabilities	563,600	1,373,600	346,120	531,000
Liabilities directly associated with disposal group classified as held for sale	–	–	1,268,600	–
	3,738,788	16,766,998	21,588,410	22,880,764
Net current assets	11,786,574	39,271,080	44,217,990	45,323,852

The net current assets of the Group increased by approximately 2.33 times from approximately US$11.79 million as at 31 March 2007 to approximately US$39.27 million as at 31 March 2008, which was due to the increase of revenue of the Group arising from the new Assembly Segment for the financial year ended 31 March 2008 and the fund raised through the invitation to the public in Singapore to subscribe for the Shares during the listing of the Shares in SGX-ST in November 2007.

The net current assets of the Group further increased from approximately US$39.27 million as at 31 March 2008 to approximately US$44.22 million as at 31 March 2009, representing an increase of approximately US$4.95 million or approximately 12.60%. Such increase was due to the continuous expansion of the Group and the reclassification of an interest in a jointly controlled entity under non-current assets to a jointly controlled entity classified as held for sale under current assets.

The net current assets of the Group slightly increased from approximately US$44.22 million as at 31 March 2009 to approximately US$45.32 million as at 30 September 2009. The increase was due to the continuous expansion of the Group.

Based on the unaudited combined management accounts of the Group as at 31 December 2009, the net current assets of the Group increased from approximately US$45.32 million as at 30 September 2009 to approximately US$47.35 million, comprising current assets of approximately US$80.10 million and current liabilities of approximately US$32.75 million. The current assets of the Group increased from approximately US$68.20 million as at 30 September 2009 to approximately US$80.10 million as at 31 December 2009, mainly comprising inventories, trade and other receivables and bank and cash balances. The current liabilities of the Group increased from approximately US$22.88 million as at 30 September 2009 to approximately US$32.75 million as at 31 December 2009, mainly comprising trade and bills payables, accruals and other payables and trust receipt loans. The increase in the net current assets of approximately US$2.03 million was mainly due to the accumulation of assets generated from the Group's profitable operations during the period from 1 October 2009 to 31 December 2009.

Cash flows

Overview

The following table sets out the changes in cash flows of the Group for the Track Record Period:

	For the financial year ended 31 March			**For the six months ended 30 September**	
	2007	**2008**	**2009**	**2008**	**2009**
	US$	*US$*	*US$*	*US$* (unaudited)	*US$*
Cash and cash equivalents at beginning of the year/period	46,024	5,263,447	20,411,008	20,411,008	12,479,669
Net cash generated from/(used in) operating activities	6,040,338	(606,644)	4,117,595	(9,477,207)	(5,053,289)
Net cash generated from/(used in) investing activities	(6,637,039)	(7,481,950)	(18,716,052)	(8,513,670)	3,555,672
Net cash generated from financing activities	5,776,340	23,007,868	6,603,757	11,333,666	453,651
Effect of foreign exchange rate changes	37,784	228,287	63,361	251,103	–
Cash and cash equivalents at the end of the year/period	5,263,447	20,411,008	12,479,669	14,004,900	11,435,703

Operating activities

Net cash generated from/(used in) operating activities primarily consists of profit before tax adjusted for certain major non cash items such as share of profit of a jointly controlled entity, impairment losses, fair value changes on derivative financial instruments, depreciation and amortisation, the net effect of changes in working capital and payment of interest expenses and income tax.

For the financial year ended 31 March 2007, net cash generated from the Group's operating activities was approximately US$6.04 million, while the Group's profit before tax for the same year was approximately US$9.32 million. The difference of approximately US$3.28 million was mainly attributable to the adjustment of the non-cash items, payment of interest expenses and income tax and the net cash inflow arising from the combined effect of the increase in trade receivables, inventories, amounts due to directors and decrease in prepayments, deposits and other receivables.

For the financial year ended 31 March 2008, net cash used in the Group's operating activities was approximately US$0.61 million, while the Group's profit before tax for the same year was approximately US$10.93 million. The difference of approximately US$11.54 million was mainly attributable to the adjustment of the non-cash items, payment of interest expenses and the net cash outflow arising from the combined effect of the increase in trade receivables, inventories, trade and bills payables and accruals and other payables.

For the financial year ended 31 March 2009, net cash generated from the Group's operating activities was approximately US$4.12 million, while the Group's profit before tax for the same year was approximately US$4.50 million. The difference of approximately US$0.38 million was mainly attributable to the adjustment of the non-cash items, payment of interest expenses and income tax and the net cash inflow arising from the combined effect of the increase in the prepayments, deposits and other receivables and accruals and other payables and the decrease in trade receivables, inventories and trade and bills payables.

For the six months ended 30 September 2008, net cash used in the Group's operating activities was approximately US$9.48 million, while the Group's profit before tax for the same period was approximately US$4.21 million. The difference of approximately US$13.69 million was mainly attributable to the adjustment of the non-cash items, payment of interest expenses and income tax and the net cash outflow arising from the combined effect of the increase in trade receivables, trade and bills payables and accruals and other payables and the decrease in inventories.

For the six months ended 30 September 2009, net cash used in the Group's operating activities was approximately US$5.05 million, while the Group's profit before tax for the same period was approximately US$2.35 million. The difference of approximately US$7.40 million was mainly attributable to the increase in inventories, trade receivables, prepayments, deposits and other receivables and trade and bills payables.

Investing activities

Net cash generated from/(used in) investing activities primarily consists of interests and dividend received, purchases of non-current assets including property, plant and equipment, intangible assets, financial asset at fair value through profit or loss, and available-for-sale financial asset; acquisition of a subsidiary, acquisition of minority interests in a subsidiary and changes in time deposits and restricted bank balances.

For the financial year ended 31 March 2007, net cash used in the Group's investing activities was approximately US$6.64 million, which was mainly due to the purchases of property, plant and equipment and intangible assets, acquisition of a subsidiary and changes in time deposits with original maturity over three months and restricted bank balances.

For the financial year ended 31 March 2008, net cash used in the Group's investing activities was approximately US$7.48 million, which was mainly due to the purchases of property, plant and equipment, purchases of intangible assets, purchase of an available-for-sale financial asset and changes in time deposits with original maturity over three months and restricted bank balances.

For the financial year ended 31 March 2009, net cash used in the Group's investing activities was approximately US$18.72 million, which was mainly due to the changes in time deposits with original maturity over three months and restricted bank balances.

For the six months ended 30 September 2008, net cash used in the Group's investing activities was approximately US$8.51 million, which was mainly due to the changes in the restricted bank balances.

For the six months ended 30 September 2009, net cash generated from the Group's investing activities was approximately US$3.56 million, which was primarily due to the changes in time deposits with original maturity over three months and restricted bank balances.

Financing activities

Net cash generated from financing activities primarily consists of net proceeds from issue of new shares and convertible loans, net bank and other loans raised, changes in trust receipt loans, repayment of finance lease payables and distribution of dividends.

For the financial year ended 31 March 2007, net cash generated from the Group's financing activities was approximately US$5.78 million, which was mainly due to the net proceeds from the issue of convertible loans and the net bank loans raised.

For the financial year ended 31 March 2008, net cash generated from the Group's financing activities was approximately US$23.01 million, which was mainly from the net proceeds from issue of convertible loans and new Shares in the initial public offering of the Shares in SGX-ST and distribution of dividends.

For the financial year ended 31 March 2009, net cash generated from the Group's financing activities was approximately US$6.60 million, which was mainly due to the net bank loans raised, increase in trust receipt loans and distribution of dividends.

For the six months ended 30 September 2008, net cash generated from the Group's financing activities was approximately US$11.33 million, which was mainly due to the net bank loans raised and the increase in trust receipt loans.

For the six months ended 30 September 2009, net cash generated from the Group's financing activities was approximately US$0.45 million, which was mainly due to the increase in the trust receipt loans.

Major financial ratios

Key financial ratios and other information

	For the financial year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
Trade receivables turnover days *(Note 1)*	31	73	67	103	70
Trade payables turnover days *(Note 2)*	5	27	8	18	15
Return on equity *(Note 3)*	69.78%	19.60%	7.25%	7.24%	3.57%

	At 31 March			At 30 September	
	2007	2008	2009	2008	2009
Gearing ratio *(Note 4)*	29.52%	9.88%	20.49%	24.00%	19.89%
Current ratio *(Note 5)*	4.15	3.34	3.05	2.30	2.98

Notes:

(1) Trade receivables turnover days equals to the closing trade receivables of the period divided by the revenue during such period and then multiplied by the number of days during such period.

(2) Trade payables turnover days equals to the closing trade payables of the period divided by the cost of goods sold during such period and then multiplied by the number of days during such period.

(3) Return on equity equals to the profit for each period divided by the closing balance of the total equity as at the end of the respective period multiplied by 100%.

(4) Gearing ratio is calculated by dividing total borrowings and both derivative component and liability component of convertible loans by total assets as at the end of the respective period multiplied by 100%.

(5) Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective period.

Trade receivables analysis

The following table sets forth the aging analysis of trade receivables as at the respective dates of consolidated statements of financial position:

	At 31 March			At 30 September
	2007	**2008**	**2009**	**2009**
	US$	*US$*	*US$*	*US$*
0 to 30 days	3,886,598	16,315,051	6,268,923	14,462,879
31 to 60 days	–	3,553,999	4,575,937	6,140,718
61 to 90 days	–	2,740,422	4,091,003	284,388
More than 90 days	–	1,431,641	4,151,002	–
Total	3,886,598	24,041,113	19,086,865	20,887,985

The Group generally grants its customers a normal credit period between 30 days to 90 days, the exact term of which is based on factors such as past sales performance, credit history and its expansion plans. As a matter of policy, the Group does not grant credit periods of over 90 days to any of its customers under normal circumstances.

Trade receivables as at 31 March 2008 were approximately US$24.04 million, representing an increase of approximately 5.19 times as compared to that as at 31 March 2007. Such increase was mainly due to the substantial growth of the Distribution and Marketing Segment, which was beneficial from the growth of the mobile handset industry.

Trade receivables as at 31 March 2009 were approximately US$19.09 million, representing a decrease of approximately 20.61% as compared to that as at 31 March 2008. Such decrease was in line with the decrease of the revenue of the Group for the financial year ended 31 March 2009.

Trade receivables turnover days during the Track Record Period ranged from approximately 31 days to approximately 103 days. which approximates to the normal credit period granted to customers ranging from 30 days to 90 days.

Trade and bills payables

Set out below is the breakdown of the Group's trade and bills payables as at the respective dates of the consolidated statements of the financial position:

		At 31 March		At 30 September
	2007	**2008**	**2009**	**2009**
	US$	*US$*	*US$*	*US$*
Trade payables	475,194	7,720,135	1,998,129	4,104,378
Bills payables	–	1,942,000	1,307,197	2,872,930
Total	475,194	9,662,135	3,305,326	6,977,308

The Group is generally granted by its suppliers with credit terms ranging from 15 days to 30 days. Trade and bills payables as at 31 March 2008 were approximately US$9.66 million, representing an increase of approximately 19.33 times as compared to that as at 31 March 2007. Such increase was mainly due to more purchases to satisfy the production requirements of Tongqing which was newly commencement on August 2007 and the substantial growth of the Distribution and Marketing Segment being beneficial from the growth of the mobile handset industry.

Trade and bills payables as at 31 March 2009 were approximately US$3.31 million, representing a decrease of approximately 65.79% as compared to that as at 31 March 2008. Such decrease was due to the increased usage of trust receipt loans during the financial year ended 31 March 2009.

Return on equity

The Group, during the Track Record Period, recorded the highest return on equity of approximately 69.78% for the financial year ended 31 March 2007, which was mainly attributable to the lowest amount of the equity attributed to the owners of the Company before the conversion of the convertible loans and listing of Shares on SGX-ST in November 2007.

For the financial year ended 31 March 2008, although there was an increase in profit for the financial year ended 31 March 2008, the return on equity decreased to approximately 19.60% as a result of the conversion of the convertible loans and listing of Shares on SGX-ST in November 2007.

In view of the financial crisis in late 2008, the profitability of the Group for the financial year ended 31 March 2009 was negatively affected. The net profit of the Group dropped by approximately 61.35% to approximately US$3.91 million for the financial year ended 31 March 2009, which also led to the decrease in return on equity of the Group in that year.

Comparing to the return on equity of approximately 7.24% of the Group for the six months ended 30 September 2008, the return on equity of the Group dropped to approximately 3.57% for the six months ended 30 September 2009. Such decrease was mainly due to the negative effect to the Group's profitability resulting from the economic turmoil caused by the financial crisis occurred in late 2008.

Gearing ratio

The gearing ratio of the Group decreased from approximately 29.52% as at 31 March 2007 to approximately 9.88% as at 31 March 2008. Such decrease was mainly due to the conversion of the convertible loans in September 2007 and proceeds raised in late 2007 through an invitation to the public in Singapore to subscribe for the new Shares, which enhanced the asset base of the Group.

However the gearing ratio of the Group rebounded to approximately 20.49% as at 31 March 2009, which was due to the increase of bank borrowings by the Group for the purpose of generating working capital. The gearing ratio of the Group remained stable as at 31 March 2009 and 30 September 2009.

Current ratio

The current ratio of the Group dropped to approximately 3.34 as at 31 March 2008 from approximately 4.15 as at 31 March 2007, which was attributable to the increase in bank borrowings and purchase of plant and machinery by way of finance lease.

As at 31 March 2009 and 30 September 2009, the current ratio of the Group was kept stable.

STATEMENT OF INDEBTEDNESS

As at the close of business on 31 December 2009, being the latest practicable date for the purpose of ascertaining the indebtedness of the Group prior to the printing of this prospectus, the Group had outstanding indebtedness of US$18,981,089, comprising bank loans of US$5,782,216, other loans of US$435,733, trust receipt loans of US$10,594,364 and finance lease payables of US$2,168,776.

The bank loans were secured by the following:

(i) A bank loan of US$1,742,931 was secured by corporate guarantee executed by a subsidiary of the Company and personal guarantee executed by a director of a subsidiary;

(ii) A bank loan of US$1,266,746 was secured by a bank deposit;

(iii) A bank loan of US$732,648 which was arranged under the Small and Medium Enterprises Loan Guarantee Scheme and guaranteed by the Government of the Hong Kong Special Administrative Region, two subsidiaries of the Company and the Company; and

(iv) Remaining bank loans of US$2,039,891 were arranged under the Small and Medium Enterprises Loan Guarantee Scheme and the Special Loan Guarantee Scheme. These loans were guaranteed by the Government of the Hong Kong Special Administrative Region and the Company.

Other loans of RMB3,000,000, which was approximately US$435,733, was borrowed by the Group from Science and Technology Bureau, Fu Tian District, Shenzhen Municipal (深圳市福田區科學技術局), an Independent Third Party, which is a government organisation of Fu Tian District, Shenzhen Municipal and was guaranteed by Shen Zhen High Tech Investment & Guaranty Co., Ltd. (深圳市高新技術投資擔保有限公司), an Independent Third Party. The loan was counter-guaranteed by a subsidiary of the Company. The legal adviser of the Company in the PRC laws considers that the above loan agreement is in compliance with laws and regulations, and is legal and valid under the PRC.

All trust receipt loans were secured by bank deposits and all finance lease payables were secured by the lessor's title to the leased assets and corporate guarantee executed by a subsidiary of the Company.

Save as aforesaid and apart from intra-group liabilities and normal trade and bills payables in the ordinary course of the business, as at the close of business on 31 December 2009, the Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 December 2009.

Financial asset at fair value through profit or loss

In view of the current low deposit interest rate, the Group entered into a structure deposit with a bank in Hong Kong for an amount HK$5,000,000 or approximately US$642,673 for a term of three years on 24 July 2009. At maturity, the amount of the deposit will be 100% of the principal deposit amount plus any cash interest derived from fixed income investments and index return with reference to a basket of major currencies in accordance with the terms agreed. The structure deposit was approved by the Board and is reviewed at each quarter end.

Financial resources

As at 31 December 2009, being the Latest Practicable Date for the purpose of ascertaining information contained in the statement of indebtedness prior to the printing of the prospectus, other than the leases of its offices, properties and the credit commitments in relation of its trading activities, the Group does not have material capital commitments nor major expenditures that would have material impact on the liquidity of the Group. Following the completion of the Share Offer, the Group expects that its operations will be financed mainly by the net proceeds of the Share Offer, internally generated funds and bank borrowings.

FINANCIAL INSTRUMENTS

The purpose of entering into financial instruments

After the listing of Shares in SGX-ST in November 2007, the scale of the businesses of the Group increased significantly. In order to minimise any risks associated with the foreign exchange, the Group has started to enter into foreign exchange forward contracts with its principal bankers in Hong Kong or major banks in the PRC since January 2008. All the foreign exchange forward contracts related to either the currency pair of US dollars/RMB or US dollars/HK dollars. These are the major currencies the Group used for its daily operations, such as sales and cash receipts cycle and purchases and cash disbursements cycle. In addition, the entering of the foreign exchange forward contracts was based on the forecast transactions on the probable receipts of sales proceeds and payments for the procurement.

In view of the challenging year 2008 caused by the financial crisis, the Directors considered that any changes on the pegged system and significant fluctuation on the exchange rate of US dollars/HK dollars would result into unknown impact on the Group. Moreover, the absolute aggregate amount of the total procurement and the operational expenses is a material one. Any changes in basis points of the spot rate may have significant impact on the Group's net profit for the year. As such, the Group still entered into certain foreign exchange forward contracts related to US dollars/HK dollars for contingency purposes given that HK dollars is pegged to US dollars.

Categories of the financial instruments

The foreign exchange forward contracts entered by the Group during the Track Record Period are mainly divided into three categories, namely, foreign exchange forward contract, range foreign exchange forward contract and target redemption forward contract.

i) Foreign exchange forward contract

Foreign exchange forward contract is an agreement for the Group to purchase or sell the currency at a future date for a price agreed upon at the time of the contract. The derivative financial instruments entered into by the Group under this type of foreign exchange forward contract are US dollars/HK dollars and US dollars/RMB. For the six months ended 30 September 2009, the annualised notional amount for the US dollars/HK dollars and US dollars/RMB under this type of foreign exchange forward contract was approximately US$6 million and US$24 million respectively.

ii) Range foreign exchange forward contract

A range foreign exchange forward contract provides protection against unfavourable exchange rate movements by allowing the Group to exchange one currency for another at a pre-agreed ceiling rate or a floor rate on an agreed maturity date. At the same time, the range foreign exchange forward contract provides the Group with an ability to participate in any favourable exchange rate movements to a pre-determined level. The contract period of the range foreign exchange forward contract the Group entered into is normally two years on average. The relative derivative financial instruments entered into by the Group under this type of foreign exchange forward contract are US dollars/RMB. For the six months ended 30 September 2009, the annualised notional amount for the US dollars/RMB under this type of range foreign exchange forward contract was US$36 million.

iii) Target redemption forward contract

Target redemption forward contract refers to a transaction that combines a currency barrier (knock-out) call option and a currency barrier (knock-out) put option with several partial settlement dates. This relates to a zero cost option strategy in which the Group purchases a right to buy or to sell a given currency and at the same time sells a right to buy or to sell that same currency. If on any partial settlement date the relevant currency option is exercised, then the Group cumulates the profit to that date. If the Group's accumulated profit will at some point reach an amount agreed in advance, then both currency barrier options are cancelled. The notional amounts of the two options can be the same or differ depending on the arrangement agreed with. The contract period of the target redemption forward contract the Group entered into is normally two years on average. For the six months ended 30 September 2009, the annualised notional amount for the US dollars/HK dollars under this type of target redemption forward contract was approximately US$46 million.

The unrealised fair value losses on the outstanding foreign exchange forward contracts amounted to approximately US$153,831 for the six months ended 30 September 2009. As at 30 September 2009, the deemed annualised notional amount was approximately US$111,600,000. Despite the foreign exchange forward contracts entered by the Group during the Track Record Period does not fulfill the stringent requirements under the hedge accounting of International Accounting Standard 39, the performance of the foreign exchange forward contracts entered into by the Group satisfies the principle of hedging and provides hedging purpose for the Group so as to minimise its foreign exchange exposure. According to the internal valuation performed at each quarter end based on the existing available market data on hand to estimate the fair value of the open position of the foreign exchange forward contracts at each quarter end, the Directors are of the view that the hedging is effective as the aggregate amount of the net exchange differences and the net fair value changes on the derivative financial instruments only amounted to a minimal percentage of the total purchases and operating expenses for the corresponding financial year/period.

Hedge accounting

The foreign exchange forward contracts are used for hedging purposes by the Group although they are not qualified as hedging purposes under the stringent and comprehensive documentation requirements as required by the International Accounting Standard 39. Hedge accounting requires certain stringent criteria to be fulfilled. These strict criteria, including the existence of formal documentation and the achievement of effectiveness tests, must be met at inception and throughout the term of the hedge relationship in order for hedge accounting to be applied. This can be achieved only if entities have appropriate systems and procedures to monitor each hedging relationship. The formal designation and documentation of the hedging relationship for undertaking the hedge must be tested regularly throughout its life. The effectiveness of the hedging relationship as required under hedge accounting must fall within a range of 80% to 125% over with the assessment of the effectiveness of each of the hedging instrument. The International Accounting Standard 39 also sets out that a net open position cannot be designated as a hedged item. As the Group does not have formal designation and documentation on the identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the hedged instrument's effectiveness, the hedging instruments the Group used for do not qualify for hedging accounting. The Directors also are of the view that it is not cost-effective to fulfill all the stringent conditions as required by the International Accounting Standard 39. However, the Board will closely monitor the open position of the foreign exchange forward contracts.

Internal control

The Group has no formal and written foreign currency hedging policy and it has not sought any advice from qualified investment advisers for entering into such foreign exchange forward contracts during the Track Record Period. However, internal valuation is performed at each quarter end based on the existing available market data on hand and the open position of the foreign exchange forward contracts at quarter end is reviewed by the audit committee. The entering of the foreign exchange forward contacts must be approved by the chairman of the Company. The management will consider to enter into any suitable foreign exchange forward contracts according to the expectation by the management to the trend of the value of US dollars/RMB and US dollars/HK dollars.

Hedging policy

For the purpose of internal control, the Group intends to adopt hedging policies and implement the procedures to enter into any new open position of the foreign exchange forward contracts in the future. According to the hedging policies, any foreign exchange forward contracts to be entered into by the Group that must be made with the well-known banks for hedging purposes. Such foreign exchange forward contract must be approved by the chairman of the Group and the open position of the foreign exchange forward contracts should be reviewed by the audit committee. The open position of the foreign exchange forward contracts should be reviewed by the audit committee at each quarter end.

All the foreign exchange forward contracts entered into by the Group are not used for speculation purposes although the foreign exchange forward contracts entered into by the Group did not meet the criteria for hedge accounting.

Mechanism of the derivative financial instruments

The foreign exchange forward contracts entered by the Group are settled monthly or at specific maturity date and will be calculated by the bank for the settlement value based on the difference between the spot rate at the expiration time on the expiration date and the pre-determined contract forward rate at each month or at specific maturity date.

Net fair value gains/(losses) on the derivative financial instruments

The fluctuation of the net fair value gains/(losses) on the derivative financial instruments were derived from the realised and unrealised fair value changes on the foreign exchange forward contracts entered into by the Group during the Track Record Period.

Breakdown of the net realised and unrealised fair value gains/(losses) for the foreign exchange forward contracts entered into by the Group during the Track Record Period is set out below:

	For the financial year ended 31 March			For the six months ended 30 September
	2007	**2008**	**2009**	**2009**
	US$	*US$*	*US$*	*US$*
Net realised fair value gains				
US$:RMB	–	–	212,306	129,676
US$:HK$	–	–	327,796	100,122
Sub-total	–	–	540,102	229,798
Net unrealised fair value gains/(losses)				
US$:RMB	–	60,567	119,203	65,649
US$:HK$	–	(105,567)	211,628	(219,480)
Sub-total	–	(45,000)	330,831	(153,831)
Total	–	(45,000)	870,933	75,967

	For the financial year ended 31 March			For the six months ended 30 September
	2007	**2008**	**2009**	**2009**
	US$	*US$*	*US$*	*US$*
Deemed annualised notional amount [1]				
US$:HK$	–	33,600,000	93,600,000	51,600,000
US$:RMB	–	1,300,000	82,400,000	60,000,000
	–	34,900,000	176,000,000	111,600,000

Note: 1. Deemed annualised notional amount is used for and it is calculated by the notional amount of the next 12 months period for each of the signed and open position of the foreign exchange forward contract as at each balance sheet date.

2. As the changes of fair value on the derivative financial instruments have already been recognised in the Group's consolidated income statement, there is no further contingent liabilities to be disclosed.

UNLISTED EQUITY INVESTMENT

The unlisted equity investment represents a 15% equity interest in a private PRC company which is principally engaged in design and manufacturing of mobile handsets, and has been recognised as a Software Enterprise and New & High Technology Enterprise by Shenzhen Bureau of Science Technology & Information.

EARNINGS PER SHARE

The figures of earnings per share in the prospectus have not taken into account 20,000,000 new Shares issued on 8 October 2009 pursuant to the subscription agreements dated 24 September 2009 as such transaction occurred after the balance sheet date which did not affect the capital used to produce the profit and loss for the corresponding period.

On 24 September 2009, the Company entered into eight subscription agreements with eight existing Shareholders respectively, being Independent Third Parties, for the allotment and issue 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 agreements 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.

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.

No share consolidation, share split, bonus issue or other share capital reorganisation having similar effect has been taken place in respect of the share capital of the Company since the Company's listing on SGX-ST up to the Latest Practicable Date. Further, the Company has no intention to conduct any share capital reorganisation from the date of this prospectus to the Listing Date (which is expected to be on 1 March 2010).

DIVIDEND POLICY

The payment and the amount of any dividends to be declared by the Group in the future will be determined at the sole discretion of the Directors and will depend on, among other things, the results of operations, working capital requirements, the amount of distributable profits based on the applicable laws and regulations.

The Group has declared interim dividend of US$257,069, nil and nil for the three financial years ended 31 March 2007, 2008 and 2009.

The Group has declared final dividend of US$2,200,000, US$2,040,052 and nil for the three financial years ended 31 March 2007, 2008 and 2009.

The Group has not declared any interim dividend for the six months ended 30 September 2009.

The Group currently does not have a fixed dividend policy. The form, frequency and amount of future dividends on the Shares will depend on the level of cash and retained earnings, the results of operations, the capital expenditure requirements, the expansion and/or investment plans and other factors that the Directors may deem appropriate. There is no assurance that dividends will be paid in the future. Neither will there be any assurance regarding the amount or timing of any dividends that will be paid in the future. Cash dividends on the Shares, if any, will be declared in US dollars but to be paid in Hong Kong dollars based on applicable exchange rate.

WORKING CAPITAL

Taking into account cash flow position of the Group and credit facilities available to the Group, the Directors are of the opinion that the Group will have sufficient funds to meet its working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

The Company had no reserve available for distribution to the Shareholders as at 30 September 2009.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that, saved as disclosed above, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure obligation pursuant to Rules 13.13 to 13.19 of the Listing Rules.

ONGOING DISCLOSURE OF INFORMATION OF THE COMPANY

The Shares have been listed on the SGX-ST and the Company is required to file quarterly financial result announcement containing unaudited financial information prepared in accordance with the requirements of the Listing Manual. In connection with the reporting obligations to the SGX-ST, the Company has published unaudited interim financial statements for the three months and six months ended 30 September 2009 together with the comparative figures for the corresponding same periods in 2008 prepared in accordance with requirements of the Listing Manual.

In accordance with Rule 13.09(2) of the Hong Kong Listing Rules, the Company is required to simultaneously release in Hong Kong, among other things, the quarterly and interim reports or any information, when the Company is required to release these reports to the SGX-ST.

DIRECTORS' CONFIRMATION ON NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading positions or prospects of the Group since 30 September 2009, the date on which the latest audited consolidated financial statements of the Group were made up.

PROPERTY INTERESTS AND PROPERTY VALUATION

BMI Appraisals Limited, an independent property valuer, has valued the property interests of the Group as at 31 December 2009 at nil value. The full text of the letter with a summary of valuations and valuation certificates in connection with the Group's property interests are set out in Appendix III to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted net tangible assets of the Group attributable to the owners of the Company which has been prepared for the purpose of illustrating the effect of the Share Offer as if it had been taken place on 30 September 2009 but has not taken into account the 20,000,000 Shares issued on 8 October 2009 and based on the audited net assets of the Group as at 30 September 2009 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and is adjusted as follows:

	Audited net tangible assets of the Group attributable to the owners of the Company as at 30 September 2009	Estimated net proceeds from the Share Offer	Unaudited pro forma adjusted net tangible assets	Unaudited pro forma adjusted net tangible assets per Share	
	US$'000	*US$'000*	*US$'000*	*US$*	*HK$*
	(Note a)	*(Note b)*		*(Note c)*	*(Note d)*
Based on an Offer Price of HK$1.70	**52,364**	**16,394**	**68,758**	**0.119**	**0.929**
Based on an Offer Price of HK$2.29	**52,364**	**22,309**	**74,673**	**0.130**	**1.009**

This statement has not taken into account the 20,000,000 new Shares issued on 8 October 2009 pursuant to the subscription agreements dated 24 September 2009 and has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group after the completion of the Share Offer.

Notes:

(a) The audited net tangible assets attributable to the owners of the Company as of 30 September 2009 is arrived at after deducting the goodwill of US$1,480,086 and the intangible assets of US$2,158,317 from the audited net assets of US$56,002,786 as of 30 September 2009, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(b) The estimated net proceeds from the Share Offer are based on the Offer Price of HK$1.70 and HK$2.29 per Share, being the lowest price and the highest price in the estimated offer price range of HK$1.70 per Share to HK$2.29 per Share, after deduction of the underwriting fees and other related expenses payable by the Company. The underwriting fees and other related expenses of approximately US$450,000 were accrued during the six months period ended 30 September 2009. No adjustment has been made of any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Further information about the Company and its subsidiaries" in Appendix V to this prospectus.

(c) The unaudited pro forma adjusted net tangible assets value per Share is arrived based on a total of 575,573,662 Shares, which represents 497,573,662 Shares in issue as at 30 September 2009 and only adjusted for 78,000,000 new Shares expected to be issued immediately after the completion of the Share Offer. No adjustment has been made for the 20,000,000 new Shares issued on 8 October 2009 pursuant to the subscription agreements dated 24 September 2009. In addition, no adjustment has been made for any Shares which may be allotted, issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in the section headed "Further information about the Company and its subsidiaries" in Appendix V to this prospectus.

(d) For information, the conversion rate of US$ into HK$ was approximately US$1.00 = HK$7.78.