

INDUSTRY OVERVIEW

This section contains some information and statistics concerning the global and some regional consumer electronics industry that have derived partly from official government and industry sources, or reports prepared by iSuppli and NPD. The information in these sources may not be consistent with information compiled by other institutions within or outside Hong Kong. Due to the inherent time-lag involved in collecting any industry and economic data, some or all of the data contained in this section may only present facts and circumstances described at the time such data was collected. As such, you should also take into account subsequent changes to developments in the consumer electronics industry and the global economy when you evaluate the information contained in this section.

Investors should also note that the Group commissioned iSuppli, a market intelligence company which offers electronics and technology research and advisory services, to prepare certain information, statistics and data on consumer electronics for inclusion in this prospectus.

The Directors believe that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Group, the Sole Bookrunner, the Sponsor, the Underwriters or any of their respective directors, officers, affiliates, advisers or representatives, nor have any other parties involved in the Share Offer independently verified such information or statistics. No representation is given as to the accuracy of such information.

SOURCE OF INFORMATION

iSuppli

iSuppli, a company founded in 1999 and based in El Segundo, California, the United States, operates as a market intelligence company which offers electronics and technology research and advisory services, as well as analysis reports and databases. iSuppli is an Independent Third Party. The Group commissioned iSuppli to conduct market analyses of, and produce the iSuppli Consumer, Memory, Projection Report, released in May 2010 (the “**Report**”), on the consumer electronics industry for inclusion in this prospectus at an aggregate fixed fee of US\$12,000. iSuppli is the global leader in technology value chain research and advisory services and delivers information about the entire electronics value chain. iSuppli is headquartered in the United States and has offices in Europe and Asia.

The methodology used by iSuppli for the preparation of the report involved conducting both primary and secondary research obtained from numerous sources such as interviews, surveys, and third party sources, utilising its long-term industry expertise and mathematical modeling to determine the market forecasts and historical performance of consumer electronics industry.

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Analyses and forecasts contained in the Report are based on the following assumptions at the time of compiling:

- The macro economy will continue on a slow recovery path, with investment neither dropping precipitously from current levels nor suddenly increasing.
- Technological developments in consumer electronics will continue at a rate appropriate to the current level of investment in research and development.

Considering the long-term research experience in the consumer electronics industry, the experience and qualification of the industry expertise, the research methodology adopted and the reputation of iSuppli, the Directors believe that sources of the information and statistics are appropriate sources for such information and statistics and the Directors have taken reasonable care in extracting and reproducing such information and statistics.

International Telecommunication Union

The International Telecommunication Union is an agency of the United Nations which regulates information and communication technology issues, and the global focal point for governments and the private sector in developing networks and services. The International Telecommunication Union is an Independent Third Party. Information disclosed in this prospectus from International Telecommunication Union is extracted from reports which are not commissioned by the Group or the Sponsor.

The Ministry of Internal Affairs and Communications, Japan

The Ministry of Internal Affairs and Communications, Japan is responsible for Japan's fundamental censuses and statistical surveys. The Ministry of Internal Affairs and Communications, Japan is responsible for (i) planning and executing major censuses and statistical surveys; and (ii) compiling and disseminating statistical information. The Ministry of Internal Affairs and Communications, Japan is an Independent Third Party. Information disclosed in this prospectus from the Ministry of Internal Affairs and Communications, Japan is extracted from the report, "Information and Communication Service Subscribers and Contracts", which is not commissioned by the Group or the Sponsor.

NPD

NPD (formerly known as National Purchase Dairy) is a leading North American market research company founded in 1967 and provides consumer and retail information to manufacturers and retailers. Using actual sales data from retailers and distributors as well as consumer-reported purchasing behaviour, NPD offers consumer panel and retail sales tracking services, special reports, modeling and analytics, and custom research. Covered industries include apparel, appliances, automotive, beauty, consumer electronics, food and beverage, food-service, footwear, home improvement, housewares, imaging, information technology, movies, music, software, toys, video games and wireless. NPD is headquartered in Port Washington, New York with offices across the United States, Japan, the United Kingdom, and the European Union. NPD is an Independent Third Party. Information disclosed in this prospectus from NPD is extracted from a report which is not commissioned by the Group or the Sponsor.

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CONSUMER ELECTRONICS INDUSTRY

Overview

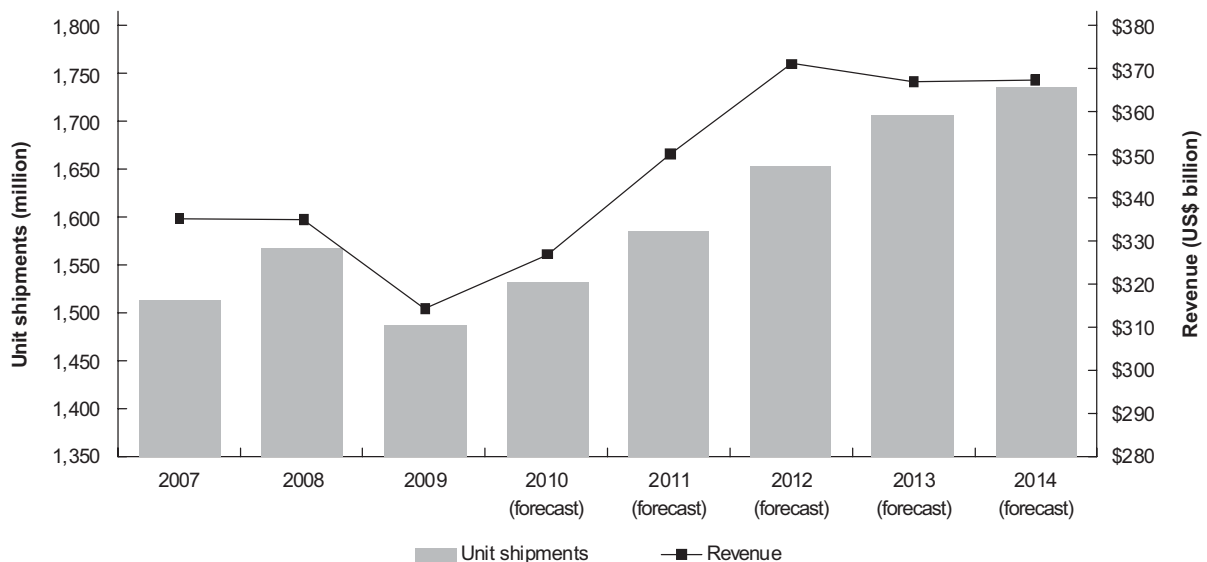
Consumer electronics refer to electrical equipment for daily use. Such electrical equipment is usually intended for entertainment, communications and office use. Over the past decades, consumer electronics have transformed from analogue to digital. The ultimate goal is to have devices where users can transfer and access data seamlessly beyond physical walls.

In 2009, as a result of the global financial crisis, the consumer electronics industry experienced a drop in revenue as consumers were faced with an uncertain economic outlook. Consumer electronics manufacturers experienced decline in revenue caused by weak consumer spending, deferred discretionary purchase, heavy price declines, coupled with the weakness of the U.S. dollars. However, as demand for high quality telecommunications products, audio/video systems and computer storage continues to increase and the global economy recovers, growth in spending on consumer electronic products is expected to resume in 2010.

Demand for consumer electronics

In 2009, the global revenue of consumer electronics market amounted to approximately US\$314.8 billion. In 2010, revenue is projected to reach approximately US\$327.5 billion and by 2014, is projected to grow further to approximately US\$368.2 billion. This growth represents a CAGR of approximately 3.0% from 2010 to 2014. 2010 marks a welcome turnaround after a dismal 2009. According to iSuppli, this increase comes from major consumer drivers such as consumer appliances, where the revenue for 2010 is forecasted to reach approximately US\$77.0 billion.

Worldwide consumer electronics unit shipments and revenue (2007-2014)



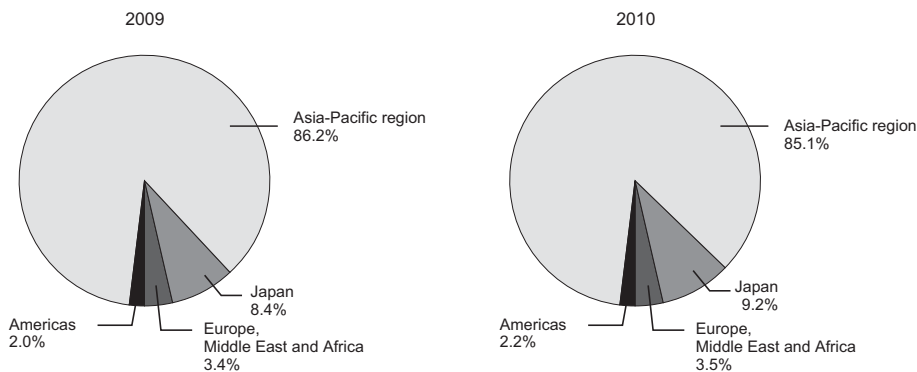
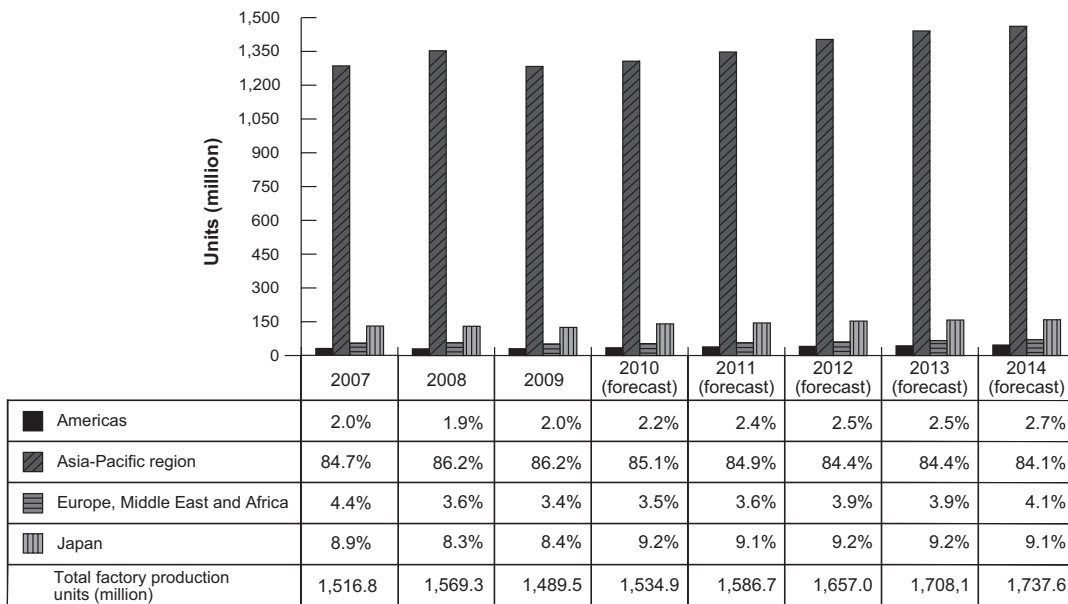
Source: iSuppli

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Dominance of consumer electronics manufacturers in the Asia-Pacific region

Despite the weak demand for consumer electronics in 2009, when compared to the regions of Japan, Europe, Middle East, Africa and the Americas, a majority of consumer electronics are and will continue to be manufactured in the Asia-Pacific region. According to iSuppli, the market in the Asia-Pacific region accounted for approximately 1,283.2 million units of the global consumer electronics production in 2009. It is predicted by iSuppli that the market in the Asia-Pacific region will account for approximately 1,306.6 million units of the global consumer electronics production in 2010. By 2014, the market in the Asia-Pacific region is projected to grow further to approximately 1,461.4 million units of the global consumer electronics production.

Regional share of worldwide consumer electronics factory production (2007-2014)



Source: iSuppli

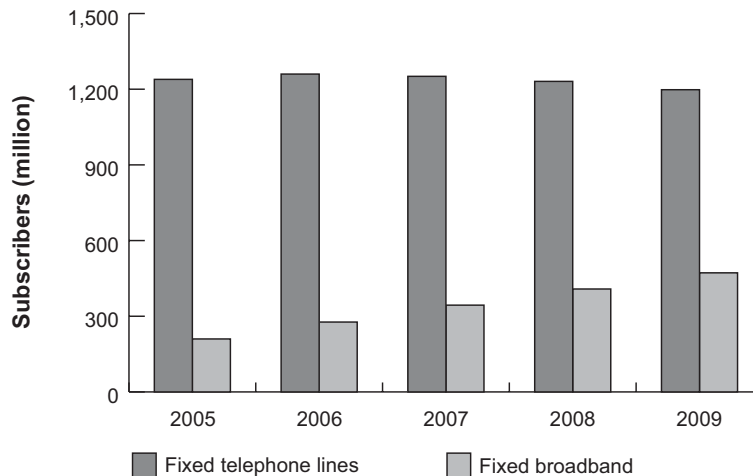
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Key development trends

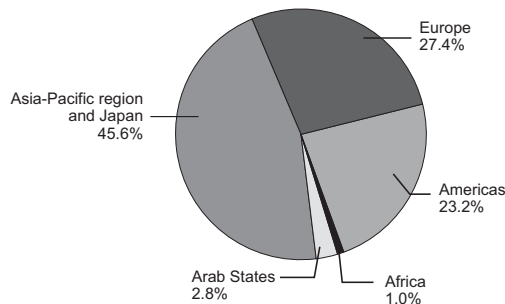
Telecommunications products

Telecommunications products play a significant role in the consumer electronics market. The increasing popularity of VoIP telephones for voice communications over Internet protocol networks such as the Internet or other packet-switched networks is supported by the increase in fixed broadband subscriptions worldwide. In 2005, the International Telecommunication Union reported that there were approximately 1,239.0 million and 210.0 million fixed telephone lines and fixed broadband subscriptions worldwide, respectively. By 2009, according to International Telecommunication Union, worldwide fixed broadband subscriptions grew to approximately 472.0 million, represented a CAGR of approximately 22.4% from 2005 to 2009.

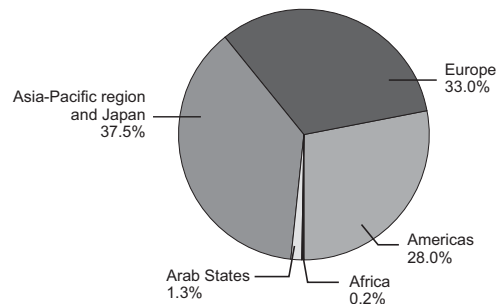
Worldwide subscribers of fixed telephone lines and fixed broadband (2005-2009)



Fixed telephone lines 2009



Fixed broadband subscriptions 2009

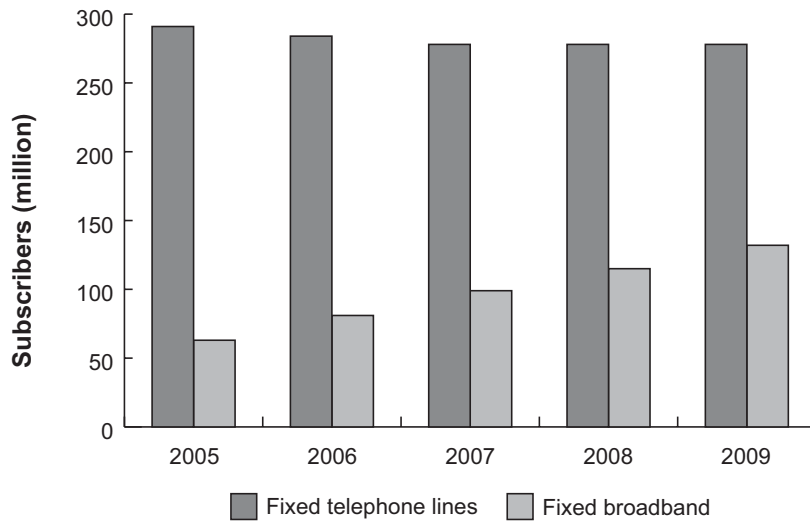


Source: International Telecommunication Union

In 2009, the Asia-Pacific region, Japan and the Americas accounted for approximately 65.5% of the worldwide fixed broadband market. The number of subscribers for the Americas' fixed broadband subscriptions, increased from approximately 63.0 million to 132.0 million, representing a CAGR of approximately 20.3% from 2005 to 2009.

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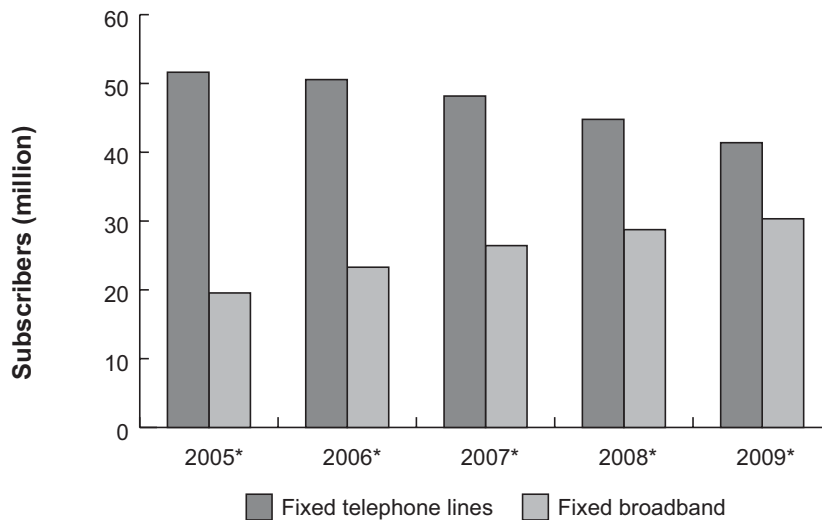
Americas subscribers of fixed telephone lines and fixed broadband (2005-2009)



Source: *International Telecommunication Union*

In Japan, as of the end of March 2009, the number of fixed broadband subscribers totalled approximately 30.3 million, marking an approximately 5.5% increase compared to the previous year. Among broadband subscribers, the number of digital subscriber line subscribers reached approximately 11.2 million, accounting for approximately 36.9% of the total fixed broadband subscribers. Meanwhile, VoIP services which use broadband circuits as access lines, entered full-scale use between 2002 and 2003. As of the end of March 2009, the total number of VoIP subscribers was approximately 20.2 million.

Japan subscribers of fixed telephone lines and fixed broadband (2005-2009)



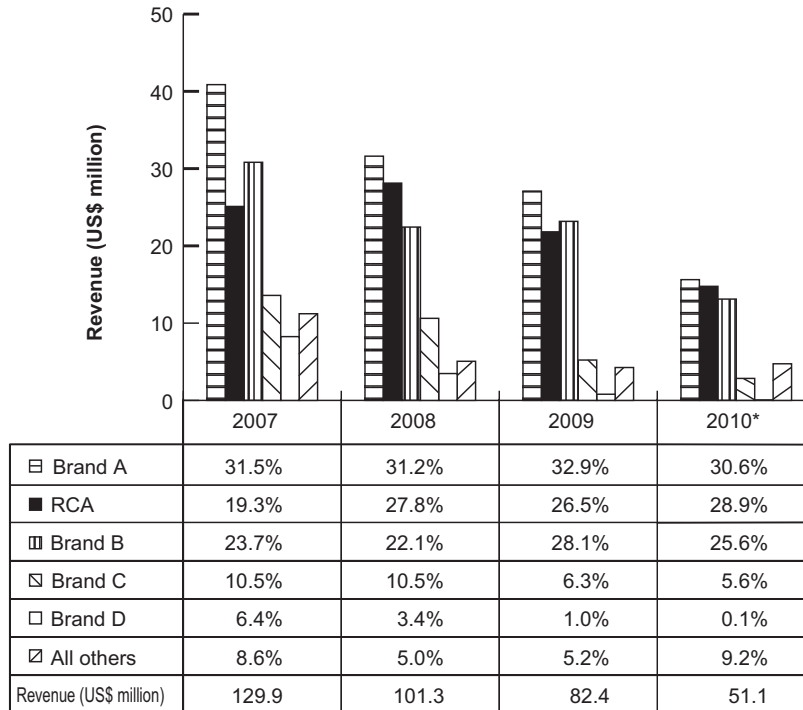
* For the year ended 31 March of each respective year

Source: *The Ministry of Internal Affairs and Communication, Japan*
"Information and Communication Service Subscribers and Contracts"

INDUSTRY OVERVIEW

According to NPD, for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, SMB phone systems under the “RCA” brand ranked third, second, third and second, respectively, in terms of retail revenue of SMB phone systems in the US, and had a market share of approximately 19.3%, 27.8%, 26.5% and 28.9%, respectively.

US SMB phone systems retail revenue (January 2007 – August 2010)



* Figures covered the eight months ended 31 August 2010

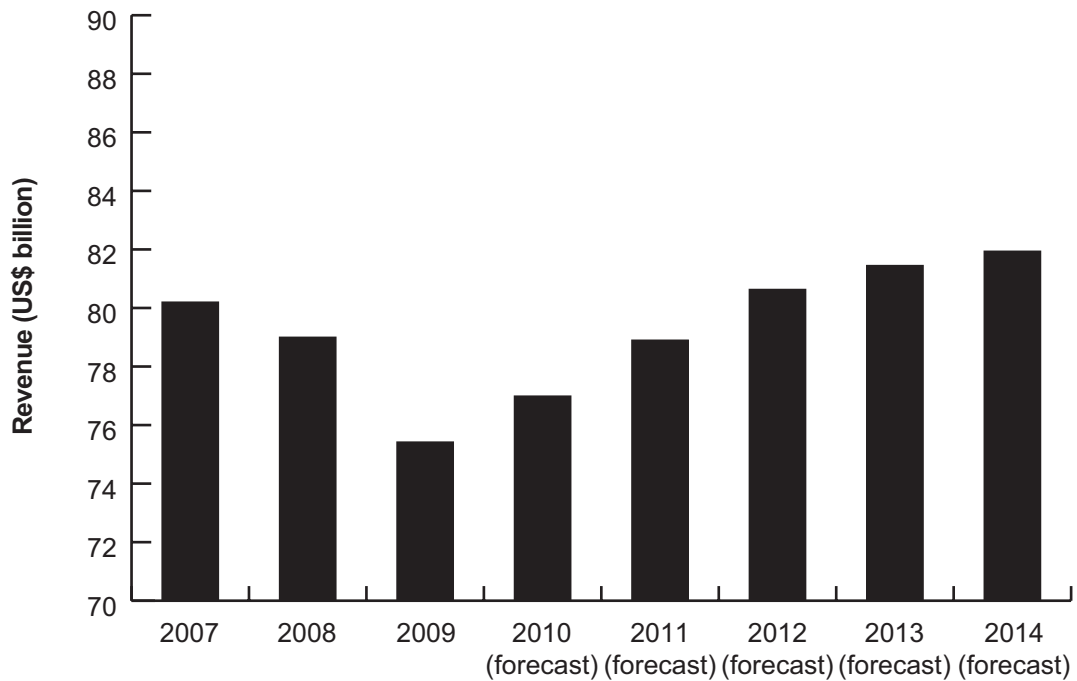
Source: NPD

INDUSTRY OVERVIEW

Appliances and appliances control products

Global revenue from branded appliances such as washing machines, ovens and refrigerators is expected to rise to approximately US\$77.0 billion in 2010, from approximately US\$75.4 billion in 2009 with an increase of approximately 2.1%. By 2014, according to iSuppli, it is projected to grow further to approximately US\$81.9 billion. This growth represents a CAGR of approximately 1.6% from 2010 to 2014. After an approximately 4.6% decline in 2009, this area will rebound in 2010 as governments around the world continue with their stimulus efforts.

Worldwide consumer appliances revenue (2007-2014)



Source: iSuppli

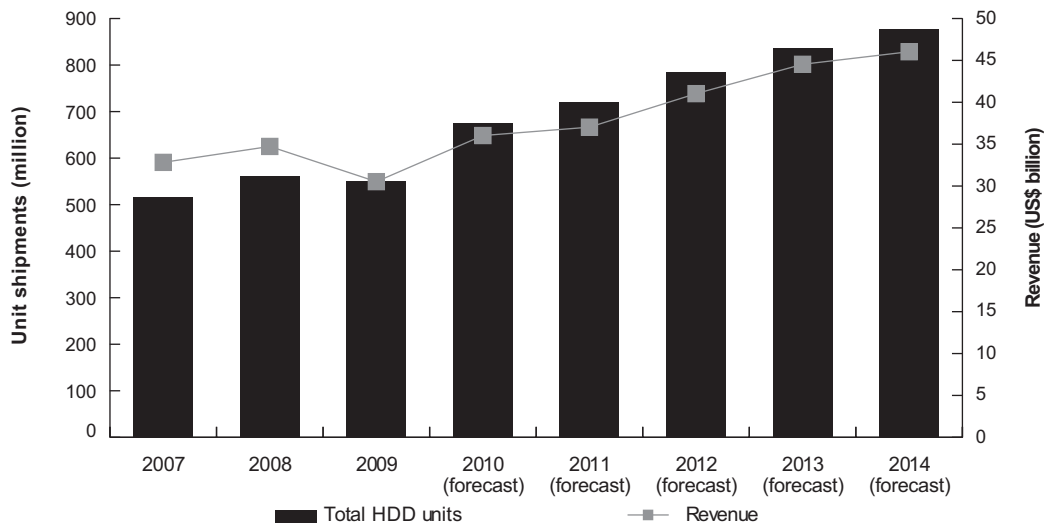
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Computer storage

Computer storage refers to electronic components that retain digital data for an interval of time. These components are essential for modern consumer electronics including, but not limited to, portable hard disk drives (“HDD”), movie stations and personal media players. Growth in these products is driven by a number of factors, such as decreasing price and competitiveness in the market.

The segment for computer storage remains strong with expected future growth considerably exceeding that of other consumer electronics. For the storage segment, 2009 proved to be a promising year for almost all storage companies. HDD performed well in this segment. According to iSuppli, in 2009, the increase in revenue and unit shipments of HDD was due to the generally improved economic outlook. To this end, iSuppli expects that demand in HDD will continue to grow in 2010, mainly because of the fast growing notebook and netbook segments over the relatively static desktop segment.

Worldwide HDD revenue and unit shipments (2007-2014)



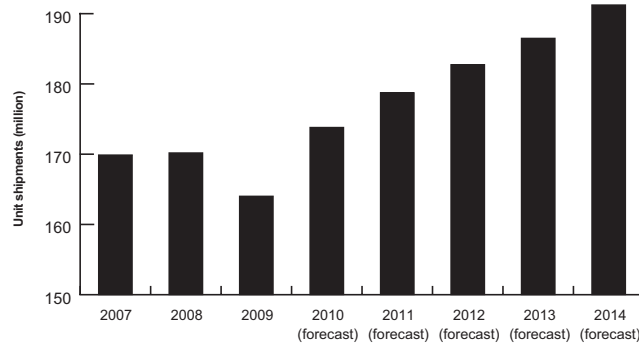
Source: iSuppli

INDUSTRY OVERVIEW

Multimedia, audio and video segment

Audio and video products range from sophisticated Internet enabled large screen displays to basic pocket sized MP3 players. According to iSuppli, shipments of home audio system components are expected to climb from approximately 164.0 million units (equivalent to a revenue of approximately US\$21.8 billion) to 191.3 million units (equivalent to a revenue of approximately US\$23.3 billion) from 2009 to 2014 as consumers demand higher quality home audio system components for their upgraded video systems.

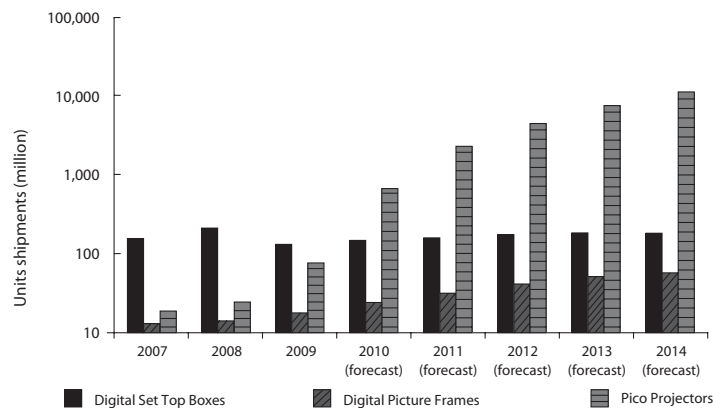
Worldwide home audio system component unit shipments (2007-2014)



Source: iSuppli

A number of home audio and video systems with Internet capabilities allow users to enjoy greater variety of contents. iSuppli forecasts that the market for these Internet enabled audio and video devices will grow strongly, topping the 400.0 million unit level by 2014, with a CAGR of approximately 34.0% from 2009 through 2014.

Unit shipments of selected audio/video systems (2007-2014)



Source: iSuppli

INDUSTRY OVERVIEW

COMPETITIVE LANDSCAPE

Overview

The Group's business operations can be separated into three distinguishable lines namely (i) EMS business operations; (ii) licensed brand business operations (US); and (iii) own brand business operations (Germany). Please refer to the section headed "Business – Competition" in this prospectus for further details of the Group's position in the market.

EMS business operations

The Directors note that the following companies headquartered in Hong Kong are engaged in EMS business operations based on publicly available information. All the following companies selected are (i) listed on the Stock Exchange or Singapore Exchange Limited; and (ii) engaged in EMS business operations with similar products to the Group including telecommunications products, computer accessories and/or multimedia products.

Company	Company A	Company B	Company C	Company D	Company E
Location of headquarters	Hong Kong	Hong Kong	Hong Kong	Hong Kong	Hong Kong
Principal business activities	Provides electronics manufacturing services including procurement, design verification and test development.	Designs, develops, manufactures and sales of telecommunications and electronic products and accessories.	EMS provider in the telecommunications, industrial and commercial and consumer electronic products industries.	Sale of communications products, multimedia products, entertainment products and others which mainly consists of unit speaker drivers, complete acoustic solutions and open models.	Researches, develops, manufactures and sales of electronic products.
Revenue	Approximately HK\$1,866.7 million	Approximately HK\$1,446.0 million	Approximately HK\$1,136.1 million	Approximately HK\$1,031.1 million	Approximately HK\$959.9 million

Source:

1. Websites of the respective companies.
2. Revenues are based on the latest audited financial statements published on the websites of the respective stock exchanges on which the companies' shares are listed.

INDUSTRY OVERVIEW

According to the latest audited financial statements published by the above Hong Kong headquartered EMS operators, the gross profit margin of their most recently completed financial year ranged from approximately 8.0% to 15.6%. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group's gross profit margin in its EMS business operations from external customers was approximately 11.7%, 16.1%, 21.7% and 22.1%, respectively. For the year ended 31 December 2009, the Group's EMS gross profit margin was better than that of the selected companies. This was mainly attributable to:

- (i) the Group's ability to shift its focus onto the EMS non-telecommunications products during the Track Record Period, which offered higher gross profit margins. This was attributable to the high flexibility of the Group's production facilities to adjust its production to alternate products, details of which are outlined in the paragraph headed "Production facilities" in the section headed "Business – Production" in this prospectus;
- (ii) economies of scale resulting from higher production volume, in the form of increased production efficiency through continual mass production of similar products, and improved bargaining power over suppliers of raw materials and components as a result of frequent bulk purchases; and
- (iii) adequate amount being invested in production equipment and research and development enhanced the level of automation in production which further improves production efficiency.

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Licensed brand business operations (US)

The Directors note that the following companies are engaged in branded business operations with similar SMB telephony products in the US based on publicly available information. All the following companies selected are (i) listed on the New York Stock Exchange, the Stock Exchange and/or the Tokyo Stock Exchange; and (ii) the leading branded products manufacturers in the US SMB telephony market.

Company	Company J	Company K	Company L
Location of headquarters	Japan	Hong Kong	Japan
Principal business activities	Manufactures electronic and electric products for a range of consumer, business and industrial uses, as well as a variety of components.	Sales of telecommunications products, electronic learning products and provides contract manufacturing services to customers.	Manufactures and sells telephone related equipment, telecommunications and application equipment and digital appliances.
Revenue	Approximately ¥7,418.0 billion	Approximately US\$1,532.3 million	Approximately ¥35.5 billion

Source:

1. Websites of the respective companies.
2. Revenues are based on the latest audited financial statements published on the websites of the respective stock exchanges on which the companies' shares are listed.

According to the latest audited financial statements published by the above companies engaged in branded business operations with similar SMB telephony products in the US, the gross profit margin of their most recently completed financial year ranged from approximately 10.5% to 36.5%. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the Group's gross profit margin in its branded business operations from external customers was approximately 28.2% and 22.0%, respectively. For the year ended 31 December 2009, the Group's gross profit margin in its branded business operations was higher than Company J (approximately 28.0%) and Company L (approximately 10.5%) but lower than Company K (approximately 36.5%). This was mainly attributable to:

- (i) the Group's strategic vertical expansion into the branded business operations in 2009, in particular, the sale and distribution of branded SMB phone systems under the "RCA" brand in the Group's licensed brand business segment delivered higher gross profit margin than Company J and Company L; and
- (ii) according to Company K's latest audited financial statements, the company has long established the platform for the sale of higher margin branded products, with a strong presence in the market of electronic learning products, which accounted for over 30% of the company's revenue. As a result, the company enjoyed higher gross profit margin compared to the Group.

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Own brand business operations (Germany)

The Directors note that the following companies are engaged in branded business operations with similar portable storage devices and multimedia products in Germany based on publicly available information. All the following companies selected are (i) listed on the London Stock Exchange, the New York Stock Exchange, the NYSE Euronext and/or the Tokyo Stock Exchange (except Company Z); and (ii) engaged in branded business operations with similar portable storage devices and/or multimedia products in Germany.

Company	Company W	Company X	Company Y	Company Z
Location of headquarters	Japan	United States	France	Germany
Principal business activities	Manufactures and markets communications equipment and systems, Internet-based solutions and services, electronic components and materials, power systems, industrial and social infrastructure systems, and household appliances.	Develops and manufactures hard drives and solid state drives for internal, external, portable and shared storage applications.	Manufactures and markets storage peripherals for microcomputers, work stations, and networks.	Distributes memory products for digital cameras, personal computers, notebooks, mobile phones and MP3 players.
Revenue	Approximately ¥6,381.6 billion	Approximately US\$7.5 billion	Approximately €301.2 million	Not available from publicly available information

Source:

1. Websites of the respective companies.
2. Revenues are based on the latest audited financial statements published on the websites of the respective stock exchanges on which the companies' shares are listed.

INDUSTRY OVERVIEW

According to the latest audited financial statements published by the above companies engaged in branded business operations with similar portable storage devices and multimedia products in Germany, the gross profit margin of their most recently completed financial year (excluding Company Z where no financial information is available from publicly available information) ranged from approximately 15.4% to 24.4%. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the Group's gross profit margin in its branded business operations from external customers was approximately 28.2% and 22.0%, respectively. For the year ended 31 December 2009, the Group's gross profit margin in its branded business operations outperformed the selected companies. This was mainly attributable to the Group's product mix including telecommunications products, portable storage devices and multimedia products during the year ended 31 December 2009 which offered higher gross profit margin than the selected companies.