

HISTORY AND BUSINESS DEVELOPMENT OF THE GROUP

Introduction

The history of the Group began in May 1992 when Telefield (HK) commenced its operations in Hong Kong. On 27 October 1992, Guangzhou Telefield, one of the Group's major operating subsidiaries, was established as a sino-foreign cooperative joint venture among 廣州輕工業品進出口(集團)公司白雲公司 (Guangzhou Light Industries Import and Export (Group) Company Baiyun Company) ("**Guangzhou Light Industries**"), 廣州市白雲區竹料鎮經濟發展總公司 (Guangzhou Baiyun District Zhuliao Town Economic Development Corporation) ("**Guangzhou Baiyun**"), each of which was an Independent Third Party, and Sota Electronics Company Limited (蘇達電子有限公司) ("**Sota**") (which was then owned by Mr. Cheng, Mrs. Cheng, Mr. Wong, Century Win and Mr. Chiu). At the same time, Sota entered into a cooperative joint venture arrangement with Guangzhou Light Industries and Guangzhou Baiyun, under which Guangzhou Telefield was responsible for the manufacturing of telecommunications products (the "**Cooperative Arrangement**"). In April 1995, the rights and obligations of Sota in Guangzhou Telefield were transferred to Telefield (HK).

In response to customers' needs and changing market demands, the Group expanded its business into other EMS segments in 2000. With a view to vertically expanding its business, the Group has commenced its branded businesses since its licensing of the "RCA" brand and its acquisition of the "TrekStor" brand in March 2009 and November 2009, respectively.

Changes in ownership from 1997 to 2000

In an attempt to obtain new capital for continued business development and an access to latest production technologies, Mr. Cheng, Mr. KB Lee, Mr. KY Ng, Ms. Fok, Mr. Wong and Mr. Chiu (collectively, the "**Original Shareholders**") on the one hand, and Orient Power Technologies Limited ("**OP Technologies**"), an Independent Third Party, on the other hand, entered into a subscription agreement in September 1997, pursuant to which OP Technologies subscribed for 51% of the then issued share capital of Orient Power Telecommunication Limited (being the former name of Telefield (BVI)) at a consideration of US\$2,091,000, subject to adjustment as stated in the subscription agreement. OP Technologies was a wholly-owned subsidiary of Orient Power Holdings Limited (stock code: 615), the issued share capital of which was listed on the Main Board of the Stock Exchange and was subsequently delisted on 14 March 2008. As a result of the above-mentioned subscription agreement, Dragon Fortune was established by the Original Shareholders to subscribe for the shares in Telefield (BVI), and 200,900 shares (representing 49% of the then issued share capital of Telefield (BVI)) were allotted and issued to Dragon Fortune on 30 October 1997. Telefield (BVI) was formed as the holding company of a number of companies which were owned and operated by the Original Shareholders, including but not limited to Telefield (HK), Guangzhou Telefield and CDL (HK). In addition, on 29 October 1997, Telefield (HK) allotted and issued one share to OP Technologies. Telefield (BVI) and its then subsidiaries were principally engaged in the development, manufacture and sale of telecommunications products.

HISTORY, REORGANISATION AND GROUP STRUCTURE

Due to commercial reasons, the Original Shareholders and OP Technologies resolved to terminate their cooperation on an amicable basis. Thus, Dragon Fortune and OP Technologies entered into a sale and purchase agreement in December 1999, pursuant to which Dragon Fortune agreed to acquire the 51% shareholding interests in Telefield (BVI) from OP Technologies at a consideration of HK\$26 million which was based on the net asset value of Telefield (BVI) as at 31 December 1999. After the completion of the said share transfer which was conducted on arm's length basis in March 2000, Telefield (BVI) became a wholly-owned subsidiary of Dragon Fortune. On 26 September 2000, OP Technologies transferred its one share in Telefield (HK) to Dragon Fortune, which held the one share on trust for Telefield (BVI). OP Technologies ceased to have any interests in any subsidiaries of the Group since then. The Group has no business relationship with Orient Power Holdings Limited or any of its subsidiaries after completion of the above-mentioned sale and purchase agreement and the transfer of shares in Telefield (HK).

Termination of the Cooperative Arrangement in July 2009

The Group operated its business in Guangzhou through the Cooperative Arrangement with its PRC partners namely, Guangzhou Light Industries and Guangzhou Baiyun. In July 2009, the Cooperative Arrangement was terminated by mutual agreement between the relevant contracting parties. Please refer to the paragraph headed "Guangzhou Telefield" under the sub-section headed "Major operating subsidiaries" in this section for further details. Under the Cooperative Arrangement, whilst Sota (and subsequently Telefield (HK)) was responsible mainly for (i) providing production machineries; (ii) providing staff training; and (iii) operating and supervising the production, its PRC partners were mainly responsible for staff recruitment and providing factory buildings. Pursuant to the Cooperative Arrangement, Guangzhou Telefield was required to reimburse its PRC partners for costs incurred including the labour, rental and utility costs. Guangzhou Telefield was also required to distribute certain amounts of its after-tax profit to its PRC partners. In the event that the profit generated by Guangzhou Telefield is not sufficient to make the requisite payment, Telefield (HK) shall make the requisite payment. The Cooperative Arrangement was subsequently amended by the supplemental agreements entered into by the contracting parties, pursuant to which Guangzhou Telefield was merely required to pay Guangzhou Light Industries a fixed amount of after-tax profit of RMB60,000 every year, and this fixed amount will increase by 5% for each five-year period based on the amount paid in the last period. Guangzhou Telefield was merely required to pay RMB60,000 annual management fee to Guangzhou Baiyun. For each of the three years ended 31 December 2007, 2008 and 2009, RMB60,000 was distributed by the Group to the PRC partner under the Cooperative Arrangement. After the termination of the Cooperative Arrangement in July 2009, Guangzhou Telefield became a wholly foreign-owned enterprise and an indirect wholly-owned subsidiary of the Company.

EMS business

Mr. Cheng and a number of the members of the senior management team of the Group have established long-term relationships with international brand owners of consumer electronic products, and have gained much experience in, and in-depth market knowledge of, the manufacture of consumer electronic products in their past work experience in the consumer electronic products industry. They perceived that there was a growing trend for international brand owners of consumer electronic products to outsource their product design as well as their

HISTORY, REORGANISATION AND GROUP STRUCTURE

production to contract manufacturers based in countries such as the PRC which offer lower costs of production. Guangzhou Telefield was established to capture such business opportunity. In its early stage of development, the Group mainly focused on the manufacture of corded telephones and digital answering machines under its own design for several international brands.

In 1994, with the foresight to expand its in-house development capabilities, the Group established a development centre in Shenzhen. With increasing orders, the original production capacity of the Group was no longer able to cope with the demand and hence the Group occupied more factory buildings to cater for its increased production capacity. It also commenced its semi-automated production process by the introduction of SMT, automatic insertion and bonding facilities.

The Group is committed to distinguishing itself from traditional EMS providers, and has devoted resources to research and development for the manufacturing of consumer electronic products. Leveraging on its research and development capabilities, the Group further developed its business and diversified into other markets which the Group believed to possess significant growth potentials. The Group subsequently expanded its EMS products to include appliances and appliances control products, high-end audio/video products, multimedia products and beauty care equipment from 2000 onwards. In February 2008, the Group established Huizhou Telefield and commenced production of EMS products in Huizhou in order to further expand its production capacity and facilitate the Group's future business growth.

Branded businesses

Believing that the Group's profitability may be increased by expanding its business into the branded products market, the Group's management decided to enter into the following acquisitions for business development:

SMB phone systems under the "RCA" brand

The Group has been producing SMB phone systems since 2005, including SMB phone systems under the "RCA" brand for Thomson Inc., an Independent Third Party. As a result of Thomson Inc.'s decision to exit the telephony business, the Group entered into negotiations with Thomson Inc. in late 2008 to acquire the distribution business of SMB phone systems under the "RCA" brand in North America. In February 2009, the RCA Agreements were entered into and became effective on 1 March 2009. Pursuant to the RCA Asset Purchase Agreement, TFNA (US) agreed to purchase certain assets and equipment associated with SMB phone systems under the "RCA" brand. Pursuant to the RCA Licence Agreement, RCA Trademark Management SAS, a fellow subsidiary of Thomson Inc. and an Independent Third Party, granted an exclusive licence to TFNA (US) to use the "RCA" brand on SMB phone systems distributed in North America from 1 March 2009 to 31 December 2013. The "RCA" trademark is currently owned by RCA Trademark Management SAS, an Independent Third Party.

Portable storage devices and multimedia products under the "TrekStor" brand

TrekStor GmbH & Co. KG (in liquidation), an Independent Third Party, was a German assembler and/or distributor of portable storage devices and/or multimedia products under the "TrekStor" brand. It was founded and run by the Szmigiel Family.

HISTORY, REORGANISATION AND GROUP STRUCTURE

In mid 2009, TrekStor GmbH & Co. KG (in liquidation) encountered financial difficulties and went into liquidation. The Group and the Szmigiel Family signed a non-binding memorandum of understanding with the intention of forming a company to run the TrekStor business. On 2 November 2009, the Group made an offer to acquire the TrekStor business with effect on the same day. On 3 November 2009, TrekStor (HK) and TrekStor (Germany), as purchasers, entered into the TrekStor Transfer Agreement with Dr. Jan Markus Plathner (as insolvency administrator of TrekStor GmbH & Co. KG), as vendor, pursuant to which certain assets of TrekStor GmbH & Co. KG (in liquidation), including the “TrekStor” brand were to be transferred to the Group. Dr. Jan Markus Plathner (as insolvency administrator of TrekStor GmbH & Co. KG) agreed the TrekStor Transfer Agreement could be effective from 2 November 2009. As advised by the legal advisers to the Company as to German law, such arrangement is legally enforceable under the German law.

Pursuant to the TrekStor Transfer Agreement, in consideration for the assets and liabilities transferred to TrekStor (Germany) and certain tangible assets and intellectual property rights transferred to TrekStor (HK), the Group agreed to pay a cash consideration of approximately Euro 1.9 million by stages. As at the Latest Practicable Date, an outstanding amount of approximately Euro 300,000 has not been paid to the insolvency administrator of TrekStor GmbH & Co. KG (in liquidation). In addition to the said cash consideration, the Group agreed to pay a contingent consideration in the next five years from the date of entering into the TrekStor Transfer Agreement in an amount of not more than Euro 0.5 million. Please refer to the paragraph headed “Branded businesses – Own brand products distribution business in Europe” under the section headed “Business – Business model” in this prospectus for further details of the contingent consideration.

After entering into the TrekStor Transfer Agreement, the Group has been operating its own brand business under the “TrekStor” brand mainly in Germany and various other countries in Europe with the Szmigiel Family. Whilst the business strategies of the Group’s own brand business in Europe were decided by the Group’s management based on the recommendation of the boards of Telefield TrekStor and TrekStor (Germany), the implementation of such business strategies and the day-to-day operations have been conducted and overseen by the Szmigiel Family. Pursuant to a shareholders’ agreement relating to Telefield TrekStor dated 24 September 2010, Mr. Shimon Szmigiel was appointed as the chief executive officer of TrekStor (Germany). Furthermore, an operation team (the “**Operation Team**”) was formed which consists of Mr. Shimon Szmigiel and three other members from the Szmigiel Family. All day-to-day operational and management decisions arising from the ordinary course of business of TrekStor (Germany) are decided by Mr. Shimon Szmigiel. Employment contracts will be entered into with members of the Operation Team. The Directors and the senior management of the Group has been assessing and appraising the business operations and profitability of the Group’s own brand business in Europe together with the Szmigiel Family on a regular basis. The Group continues to employ most of the employees of TrekStor GmbH & Co. KG (in liquidation).

Please refer to the paragraph headed “Branded businesses” under the section headed “Business – Business model” in this prospectus for details of the Group’s branded businesses.

In anticipation of the Share Offer, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 May 2010.

HISTORY, REORGANISATION AND GROUP STRUCTURE

KEY MILESTONES OF THE GROUP

The key milestones in the history of the Group are set out below:

Participating in EMS industry

May 1992 –	Telefield (HK) commenced operations
October 1992 –	Establishment of Guangzhou Telefield among Guangzhou Light Industries, Guangzhou Baiyun and Sota
March 1993 –	Commencement of production of telecommunications products
April 1995 –	Sota transferred its rights and obligations in Guangzhou Telefield to Telefield (HK)
November 1997 –	OP Technologies acquired 51% shareholding interests in Orient Power Telecommunication Limited (being the former name of Telefield (BVI))
October 1998 –	Accredited with the ISO 9001 certification
March 2000 –	Orient Power Telecommunication Limited (being the former name of Telefield (BVI)) became a wholly-owned subsidiary of Dragon Fortune

Participating in other EMS segments

2000 –	Expanded into new telecommunications product categories and the other non-telecommunications product segments
February 2008 –	Establishment of Huizhou Telefield
November 2008 –	Accredited with the ISO 13485 certification
September 2009 –	Accredited with the ISO 14001 certification

HISTORY, REORGANISATION AND GROUP STRUCTURE

Entering into the branded businesses

December 2008 –	Established TFNA (US)
February 2009 –	Entered into the RCA Agreements under which TFNA (US) was allowed to distribute SMB phone systems in North America under the “RCA” brand
November 2009 –	Entered into the TrekStor Transfer Agreement under which TrekStor (HK) and TrekStor (Germany) acquired certain assets of TrekStor GmbH & Co. KG (in liquidation), including the “TrekStor” brand

MAJOR OPERATING SUBSIDIARIES

Below is a general description of the Group’s major operating subsidiaries:

Telefield (HK)

Telefield (HK) is a company incorporated in Hong Kong with limited liability on 28 April 1989. As at the date of incorporation, the authorised share capital of Telefield (HK) was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One subscriber share of HK\$1.00 each was allotted and issued to each of Samvie Limited and J.S.B.H. Company, both of which are Independent Third Parties, respectively, on the date of incorporation. On 5 October 1989, each of the subscribers transferred their respective one subscriber share in Telefield (HK) to Mr. Cheng and Mrs. Cheng, respectively, at par value.

Telefield (HK) commenced its business in May 1992. On 28 December 1992, the authorised share capital of Telefield (HK) was increased to HK\$2,000,000 divided into 2,000,000 shares of HK\$1.00 each. On the same day, 789,998 shares were allotted and issued to Century Win, 560,000 shares to Sota, 150,000 shares to Mr. KB Lee, 200,000 shares to Mr. KY Ng and 300,000 shares to Mr. Kwen Park Huen (“**Mr. Kwen**”), an Independent Third Party at par value. These subscribers paid the respective subscription price in cash by their own means. On 31 December 1992, Mr. Cheng and Mrs. Cheng transferred their respective one share in Telefield (HK) to Century Win. After the said transfers, Telefield (HK) was owned as to 39.50%, 28.00%, 7.50%, 10.00% and 15.00% by Century Win, Sota, Mr. KB Lee, Mr. KY Ng and Mr. Kwen, respectively.

On 30 March 1994, the authorised share capital of Telefield (HK) was further increased to HK\$2,300,000. On the same day, Telefield (HK) allotted and issued 200,000 shares and 64,000 shares to Mr. Kwen and Ms. Fok, respectively, at par value, leaving 36,000 authorised shares remained unissued. Mr. Kwen and Ms. Fok paid up the respective subscription price in cash by their own means. After such allotment and issuance of shares, Telefield (HK) was owned as to approximately 34.89%, 24.73%, 6.63%, 8.83%, 22.08% and 2.83% by Century Win, Sota, Mr. KB Lee, Mr. KY Ng, Mr. Kwen and Ms. Fok, respectively.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 29 December 1994, the authorised share capital of Telefield (HK) was further increased to HK\$5,000,000. On the same day, Telefield (HK) allotted and issued 350,000 shares, 300,000 shares, 1,900,000 shares and 186,000 shares to Grand Access Limited, Swintown Investment Limited, Sota and Ms. Fok, respectively, at par value. The respective subscription price was paid to Telefield (HK) by the aforesaid subscribers in cash by their own means. After such allotment and issuance of shares, Telefield (HK) was owned as to 15.80%, 49.20%, 3.00%, 4.00%, 10.00%, 5.00%, 7.00% and 6.00% by Century Win, Sota, Mr. KB Lee, Mr. KY Ng, Mr. Kwen, Ms. Fok, Grand Access Limited and Swintown Investment Limited, respectively.

On 21 October 1997, Mr. Kwen transferred 125,000 shares, 125,000 shares and 250,000 shares to Ms. Ko, Mr. Tam and Mr. Cheng for a respective consideration of HK\$425,000, HK\$425,000 and HK\$850,000. The consideration was based on the then net asset value of Telefield (HK) and was funded by the transferees' own means. After the said transfers, Telefield (HK) was owned as to 15.80%, 49.20%, 3.00%, 4.00%, 5.00%, 7.00%, 6.00%, 5.00%, 2.50% and 2.50% by Century Win, Sota, Mr. KB Lee, Mr. KY Ng, Ms. Fok, Grand Access Limited, Swintown Investment Limited, Mr. Cheng, Ms. Ko and Mr. Tam, respectively.

On 29 October 1997, the authorised share capital of Telefield (HK) was further increased to HK\$5,001,000. On the same day, Telefield (HK) allotted and issued one share and 999 shares to OP Technologies and Telefield (BVI), respectively, at par value. OP Technologies and Telefield (BVI) settled the respective subscription price in cash.

On 30 October 1997, pursuant to a special resolution passed by the then shareholders of Telefield (HK), Telefield (HK) amended its articles of association and changed its authorised share capital from HK\$5,001,000 divided into 5,001,000 shares of HK\$1.00 each to HK\$5,001,000 divided into 1,000 ordinary shares of HK\$1.00 each and 5,000,000 non-voting deferred shares of HK\$1.00 each (the “**Deferred Shares**”). On the same day, pursuant to the said special resolution passed by the then shareholders of Telefield (HK), Telefield (HK) converted all the shares held by its then existing shareholders (except for OP Technologies and Telefield (BVI)) into the Deferred Shares. As such, the then entire issued ordinary shares of Telefield (HK) were owned as to 99.90% and 0.10% by Telefield (BVI) and OP Technologies, respectively. The then entire issued Deferred Shares were owned as to 15.80%, 49.20%, 3.00%, 4.00%, 5.00%, 7.00%, 6.00%, 5.00%, 2.50% and 2.50% by Century Win, Sota, Mr. KB Lee, Mr. KY Ng, Ms. Fok, Grand Access Limited, Swintown Investment Limited, Mr. Cheng, Ms. Ko and Mr. Tam, respectively.

On 26 September 2000, OP Technologies transferred its one ordinary share in Telefield (HK) to Dragon Fortune at a consideration of HK\$1.00. After the said transfer, the then entire issued ordinary shares of Telefield (HK) were owned as to 99.90% and 0.10% by Telefield (BVI) and Dragon Fortune, respectively. Dragon Fortune held the one share on trust for Telefield (BVI). The shareholding of the Deferred Shares remained unchanged.

On 25 July 2008, Sota transferred its 2,460,000 Deferred Shares to Mr. Cheng at nil consideration. After the said transfer, the shareholding of the Deferred Shares was owned as to 15.80%, 3.00%, 4.00%, 5.00%, 7.00%, 6.00%, 54.20%, 2.50% and 2.50% by Century

HISTORY, REORGANISATION AND GROUP STRUCTURE

Win, Mr. KB Lee, Mr. KY Ng, Ms. Fok, Grand Access Limited, Swintown Investment Limited, Mr. Cheng, Ms. Ko and Mr. Tam, respectively. The shareholding of the ordinary shares remained unchanged.

On 22 December 2008, the authorised share capital of Telefield (HK) was further increased to HK\$25,000,000, divided into 20,000,000 ordinary shares of HK\$1.00 each and 5,000,000 Deferred Shares of HK\$1.00 each. On the same day, Telefield (HK) allotted and issued 19,979,001 ordinary shares and 19,999 ordinary shares to Telefield (BVI) and Dragon Fortune, respectively, at par value. The subscription price of HK\$20,000,000 was paid by offsetting against those undistributed dividends entitled to Telefield (BVI) and Dragon Fortune. After the allotment and issuance of ordinary shares, the then entire issued ordinary shares of Telefield (HK) were owned as to 99.90% and 0.10% by Telefield (BVI) and Dragon Fortune, respectively. Dragon Fortune held the said 20,000 ordinary shares on trust for Telefield (BVI). The shareholding of the Deferred Shares remained unchanged.

On 12 January 2010, each of the shareholders of the 5,000,000 Deferred Shares transferred their respective shares in Telefield (HK) to Telefield (BVI) at nil consideration. After such transfers, the shareholding of the ordinary shares of Telefield (HK) was owned as to 99.90% and 0.10% by Telefield (BVI) and Dragon Fortune, respectively, and all of the Deferred Shares were owned by Telefield (BVI).

On 9 July 2010, Dragon Fortune transferred the 20,000 shares it held on trust for Telefield (BVI) to Telefield (BVI). After the said transfer, all of the Deferred Shares and ordinary shares of Telefield (HK) are legally and beneficially owned by Telefield (BVI).

Telefield (HK) is principally engaged in the trading of products manufactured by Guangzhou Telefield and Huizhou Telefield. It is an indirect wholly-owned subsidiary of the Company.

Guangzhou Telefield

Guangzhou Telefield was established in Guangzhou on 27 October 1992 as a sino-foreign cooperative joint venture with a registered capital of US\$500,000. The initial joint venture agreement and the articles of association of Guangzhou Telefield were approved by 廣州市白雲區對外經濟貿易委員會 (Commission of Foreign Economic Relations and Trade of Baiyun District, Guangzhou) (the “**Guangzhou Commission of Foreign Trade**”) on 20 October 1992 and Guangzhou Telefield obtained the business licence on 27 October 1992. At the time of its establishment, parties to the joint venture were Guangzhou Light Industries, Guangzhou Baiyun and Sota. According to the joint venture agreement, Sota was solely responsible for the contribution of the registered capital, which was entirely financed by Telefield (HK), whilst Guangzhou Light Industries was responsible for providing the services of the establishment of Guangzhou Telefield and Guangzhou Baiyun was responsible for contributing plant use rights, water and electricity supply, and telecommunications facilities.

On 12 May 1994, the board of directors of Guangzhou Telefield resolved to further increase the registered capital of Guangzhou Telefield from US\$500,000 to US\$709,000 with the increase to be contributed by Sota, which was entirely financed by Telefield (HK) out of its undistributed profits.

HISTORY, REORGANISATION AND GROUP STRUCTURE

As a result of the restructuring of the foreign trade system, Guangzhou Light Industries became part of 廣州市對外貿易白雲公司 (Guangzhou Foreign Trade Baiyun Company) (“**Guangzhou Foreign Trade**”), an Independent Third Party. As such, the rights and obligations of Guangzhou Light Industries were assumed by Guangzhou Foreign Trade. On 18 January 1995, Guangzhou Foreign Trade, Guangzhou Baiyun, Sota and Telefield (HK) entered into a transfer agreement, pursuant to which Sota transferred all its rights and obligations in Guangzhou Telefield to Telefield (HK) at nil consideration provided that the registered capital of Guangzhou Telefield contributed by Sota was entirely financed by Telefield (HK). The said transfer was approved by the Guangzhou Commission of Foreign Trade on 28 January 1995. On 18 January 1995, the board of directors of Guangzhou Telefield resolved to further increase the registered capital of Guangzhou Telefield from US\$709,000 to US\$1,585,000 with the increase to be contributed by Telefield (HK) from its internal financial resources.

On 1 November 1995, the board of directors of Guangzhou Telefield resolved to further increase the registered capital of Guangzhou Telefield from US\$1,585,000 to US\$1,835,000 with the increase to be contributed by Telefield (HK) from its internal financial resources.

On 8 January 1998, the board of directors of Guangzhou Telefield resolved to further increase the registered capital of Guangzhou Telefield from US\$1,835,000 to US\$2,335,000 with the increase to be contributed by Telefield (HK) from its internal financial resources.

On 20 May 1999, the board of directors of Guangzhou Telefield resolved to further increase the registered capital of Guangzhou Telefield from US\$2,335,000 to US\$3,587,600 with the increase to be contributed by Telefield (HK) from its internal financial resources.

On 4 July 2000, 廣州市白雲區對外經濟貿易局 (Bureau of Foreign Economic and Trade of Baiyun District, Guangzhou) approved the change of name of Guangzhou Foreign Trade, being one of the joint venture partners of Guangzhou Telefield, to 廣州市對外貿易白雲有限公司 (Guangzhou Foreign Trade Baiyun Company Limited) (“**Guangzhou Foreign Trade (Ltd)**”).

On 28 December 2001, the board of directors of Guangzhou Telefield resolved to further increase the registered capital of Guangzhou Telefield from US\$3,587,600 to US\$6,060,000 with the increase to be contributed by Telefield (HK) from its internal financial resources.

HISTORY, REORGANISATION AND GROUP STRUCTURE

On 31 October 2005, a transfer agreement was entered into, among others, by Guangzhou Foreign Trade (Ltd) and Telefield (HK), pursuant to which Guangzhou Foreign Trade (Ltd) transferred all its rights and obligations under the joint venture agreement to Telefield (HK). The transfer was approved by 廣州市白雲區對外貿易經濟合作局 (Bureau of Foreign Trade and Economic Cooperation of Baiyun District, Guangzhou) (the “**Guangzhou Bureau of Foreign Trade**”) on 16 December 2005. After such transfer, Guangzhou Telefield became a sino-foreign cooperative joint venture with Guangzhou Baiyun and Telefield (HK) as the joint venture partners.

On 28 August 2008, the board of directors of Guangzhou Telefield resolved to further increase the registered capital of Guangzhou Telefield from US\$6,060,000 to US\$7,060,000 with the increase to be contributed by Telefield (HK) from its internal financial resources.

On 25 June 2009, the Guangzhou Bureau of Foreign Trade agreed Guangzhou Baiyun ceased to be a joint venture partner of Guangzhou Telefield and approved the transformation of Guangzhou Telefield from a sino-foreign cooperative joint venture into a limited liability company (solely invested by Taiwan, Hong Kong, Macau corporate). Since 20 July 2009, Guangzhou Telefield became an indirect wholly-owned subsidiary of the Company.

Guangzhou Telefield is principally engaged in the manufacturing, processing and design of various types of telecommunications products and other household appliances and electronic products.

CDL (HK)

CDL (HK) is a company incorporated in Hong Kong with limited liability on 7 September 1993. As at the date of incorporation, the authorised share capital of CDL (HK) was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One subscriber share of HK\$1.00 each was allotted and issued to each of Hong Kong Registration Limited and Sellex Consultants Limited, both of which are Independent Third Parties, on the date of incorporation. On 15 March 1994, each of the subscribers transferred their respective one subscriber share to Telefield (HK) and Century Win, respectively, at the par value. Such consideration was funded by the internal financial resources of the respective transferees. On the same day, CDL (HK) allotted and issued 9,998 shares to Telefield (HK). On 21 October 1997, Century Win transferred its one share in CDL (HK) to Mr. Cheng. Mr. Cheng had held his one share in CDL (HK) on trust for Telefield (HK) since 17 May 2000. On 15 July 2010, Mr. Cheng transferred the said one share which was held on trust for Telefield (HK) to Telefield (HK). After the said transfer, all the issued shares in CDL (HK) are legally and beneficially owned by Telefield (HK). CDL (HK) is principally engaged in property investment. It is an indirect wholly-owned subsidiary of the Company.

Shenzhen Telefield

Shenzhen Telefield is a branch office of Guangzhou Telefield established in Shenzhen on 15 November 1994. Shenzhen Telefield is a development and administration centre.

Aiko

Aiko is a company incorporated in Hong Kong with limited liability on 6 August 2003. As at the date of incorporation, the authorised share capital of Aiko was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One subscriber share of HK\$1.00 each was allotted and issued to each of Honfill Limited and Danfill Limited, both of which are beneficially owned by Mr. Poon, on the date of incorporation. On 26 August 2003, each of the subscribers transferred their respective one subscriber share to Alpha Market Limited, a subsidiary of Dragon Fortune and Mr. Cheng at a consideration of HK\$1.00, respectively. On the same day, Aiko allotted and issued 9,998 shares to Alpha Market Limited at par value. On 31 December 2005, Alpha Market Limited and Mr. Cheng respectively transferred 9,999 shares and one share in Aiko to Vita Health Enterprises Limited (a company indirectly and beneficially owned by Mr. KB Lee, Mr. KY Ng, Ms. Ko, Mr. Chiu, Mr. Tam, Titanic Horizon, Mr. Sum and Mr. Cheng) at a consideration of HK\$10,000. On 31 December 2009, Vita Health Enterprises Limited transferred its 10,000 shares in Aiko to Telefield (BVI) at a consideration of HK\$10,000. Such consideration was based on the par value of the shares and was funded by the internal financial resources of Telefield (BVI). Aiko is principally engaged in the trading of products manufactured by Guangzhou Telefield. It is an indirect wholly-owned subsidiary of the Company.

Aiko (Shenzhen)

Aiko (Shenzhen) is a company established in the PRC with limited liability on 26 September 2006 with a registered capital of HK\$1,000,000 which was contributed by Aiko from its internal financial resources. It has been a wholly-owned subsidiary of Aiko since its establishment. Aiko (Shenzhen) is principally engaged in the design and distribution of electronic products, fitness equipment, massage equipment, household appliances and telephones. It is an indirect wholly-owned subsidiary of the Company.

SAL (HK)

SAL (HK) is a company incorporated in Hong Kong with limited liability on 9 November 2007. As at the date of incorporation, the authorised share capital of SAL (HK) was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One subscriber share of HK\$1.00 each was allotted and issued to Honorway Secretaries Limited, an Independent Third Party, on the date of incorporation. On 11 December 2007, the subscriber share was transferred to Telefield (BVI) at the par value. On the same day, SAL (HK) allotted and issued 9,999 shares to Telefield (BVI). On 30 August 2008, the authorised share capital of SAL (HK) was further increased to HK\$3,000,000. On the same day, SAL (HK) allotted and issued 2,990,000 shares to Telefield (BVI). On 30 December 2009, the authorised share capital of SAL (HK) was further increased to HK\$5,000,000. On the same day, SAL (HK) allotted and issued 2,000,000 shares to Telefield (BVI). SAL (HK) is principally engaged in the trading of products manufactured by Huizhou Telefield. It is an indirect wholly-owned subsidiary of the Company.

Huizhou Telefield

Huizhou Telefield is a company established in Huizhou with limited liability on 27 February 2008 with a registered capital of HK\$15,000,000 which was contributed by SAL (HK) from its internal financial resources. It has been a wholly-owned subsidiary of SAL (HK) since its establishment. Huizhou Telefield is principally engaged in the manufacturing and processing of various types of telecommunications products and other household appliances and electronic products. It is an indirect wholly-owned subsidiary of the Company.

TFUL (HK)

TFUL (HK) is a company incorporated in Hong Kong with limited liability on 2 December 2008. As at the date of incorporation, the authorised share capital of TFUL (HK) was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One subscriber share of HK\$1.00 each was allotted and issued to GNL08 Limited, an Independent Third Party, on the date of incorporation. On 16 December 2008, the subscriber share was transferred to Telefield (BVI) at the par value. On 31 August 2009, the authorised share capital of the Company was increased to HK\$15,600,000. On the same day, TFUL (HK) allotted and issued 15,599,999 shares to Telefield (BVI). TFUL (HK) is principally engaged in the trading of products from Telefield (HK), SAL (HK) and/or other suppliers with TFNA (US). It is an indirect wholly-owned subsidiary of the Company.

TFNA (US)

TFNA (US) is a corporation incorporated in Oregon, the United States on 26 December 2008. It is authorised to issue 1,000 shares of no par value common stock. On 15 January 2009, 50 shares of its common stock were issued to TFUL (HK) at a nominal consideration of US\$5.00. The consideration was funded by the internal financial resources of TFUL (HK). TFNA (US) is principally engaged in the distribution of SMB phone systems under the “RCA” brand in North America. It has been an indirect wholly-owned subsidiary of the Company since 15 January 2009.

TrekStor (Germany)

TrekStor (Germany) is a company incorporated in Germany on 9 September 2009 with a nominal capital of Euro 25,000. TrekStor (Germany) issued one share with a par value of Euro 1,000 to Foratis AG, Bonn, an Independent Third Party, and one share with a par value of Euro 24,000 to haws GmbH, Bonn, an Independent Third Party, on the date of incorporation. On 29 October 2009, Foratis AG, Bonn and haws GmbH, Bonn transferred their respective shares in TrekStor (Germany) to Telefield TrekStor at a total consideration of Euro 27,600. Such consideration was funded by the internal financial resources of the Telefield TrekStor. TrekStor (Germany) is principally engaged in the assembly and/or distribution of portable storage devices and/or multimedia products under the “TrekStor” brand mainly in Germany and various other countries in Europe. It is an indirectly owned subsidiary of the Company.

TrekStor (HK)

TrekStor (HK) is a company incorporated in Hong Kong with limited liability on 8 September 2009. As at the date of incorporation, the authorised share capital of TrekStor (HK) was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One subscriber share of HK\$1.00 each was allotted and issued to Cartech Limited, an Independent Third Party, on the date of incorporation. On 14 October 2009, the subscriber share was transferred to Telefield (BVI) at the par value. On 4 November 2009, Telefield (BVI) transferred its share in TrekStor (HK) to Alagona. On 24 September 2010, Alagona, Tarez and Tavida entered into a shareholders' agreement, which confirmed and acknowledged that, TrekStor (HK) has been beneficially held as to 51% by Alagona, 33% by Tarez and 16% by Tavida since 3 November 2009. Pursuant to such shareholders' agreement, on 28 October 2010, TrekStor (HK) allotted and issued 50 shares, 33 shares and 16 shares to Alagona, Tarez and Tavida, respectively. As a result of the allotment and issuance of such shares, TrekStor (HK) is legally and beneficially owned as to 51% by Alagona, 33% by Tarez and 16% by Tavida. TrekStor (HK) is the owner of certain intellectual property rights of the Group and it is engaged in the licensing of certain intellectual property rights of the Group. It is an indirectly owned subsidiary of the Company.

Telefield TrekStor

Telefield TrekStor is a company incorporated in Luxembourg with limited liability on 29 October 2009. As at the date of incorporation, Metro Creator subscribed for 100 shares of Telefield TrekStor at the par value of EUR 125.00 and was funded by the internal financial resources of Metro Creator. On 24 September 2010, Metro Creator, Tarez and Tavida entered into a shareholders' agreement, which confirmed and acknowledged that, Telefield TrekStor has been beneficially held as to 51% by Metro Creator, 33% by Tarez and 16% by Tavida since 3 November 2009. Pursuant to such shareholders' agreement, on 5 November 2010, Telefield TrekStor allotted and issued two shares, 66 shares and 32 shares to Metro Creator, Tarez and Tavida, respectively. As a result of the allotment and issuance of such shares, Telefield TrekStor is legally and beneficially owned as to 51% by Metro Creator, 33% by Tarez and 16% by Tavida. Telefield TrekStor is principally engaged in the licensing of certain intellectual property rights of the Group. It is an indirectly owned subsidiary of the Company.

Telefield Medical

Telefield Medical is a company incorporated in Hong Kong with limited liability on 25 January 2010. As at the date of incorporation, the authorised share capital of Telefield Medical was HK\$10,000 divided into 10,000 shares of HK\$1.00 each. One subscriber share of HK\$1.00 each was allotted and issued to Expertsec Limited, a company beneficially owned by Mr. Poon, on the date of incorporation. On 9 February 2010, the subscriber share was transferred to Bracciano at the par value of HK\$1.00 which was funded by the internal financial resources of Bracciano. On the same day, Telefield Medical allotted and issued 999 shares to Bracciano. Telefield Medical is principally engaged in the trading of personal care products. It is an indirect wholly-owned subsidiary of the Company.

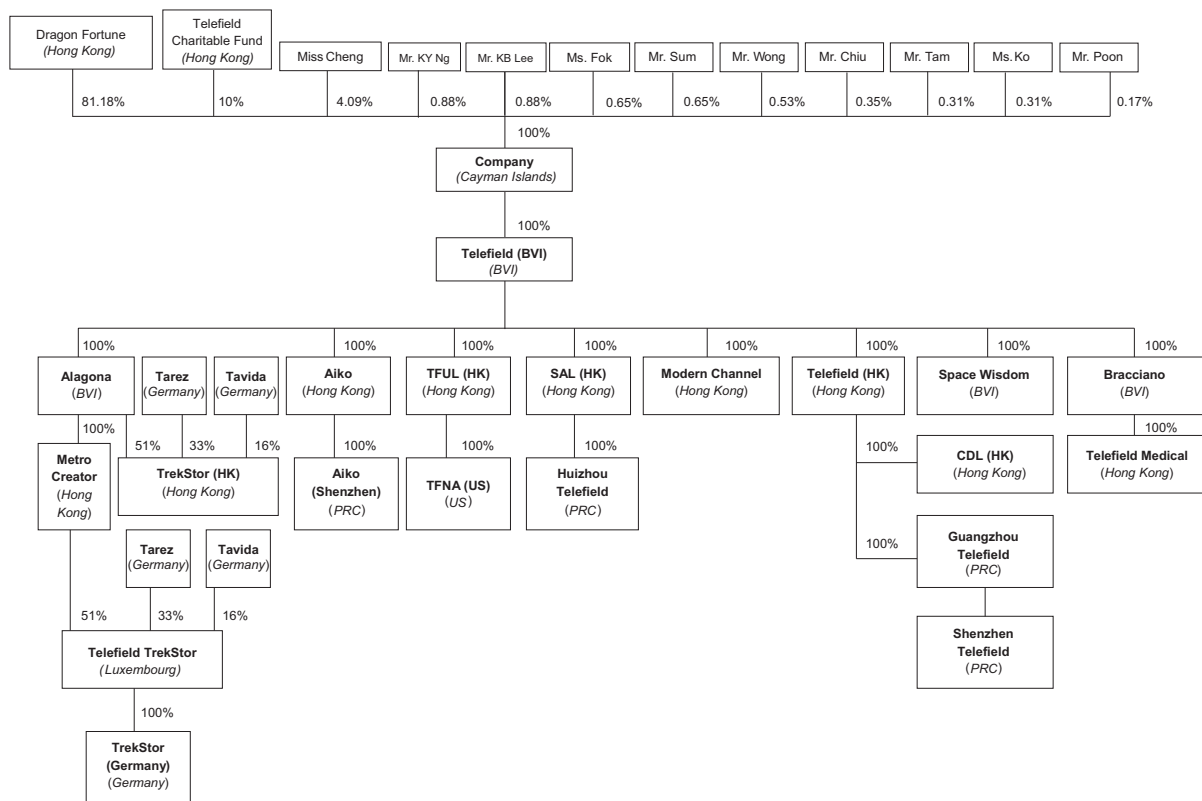
HISTORY, REORGANISATION AND GROUP STRUCTURE

GROUP REORGANISATION

Reorganisation

The Company completed the Reorganisation on 31 December 2010 in preparation for the Listing pursuant to which the Company became the ultimate holding company of the Group. Details of the Reorganisation are set out in the paragraph headed “Group reorganisation” in Appendix VI to this prospectus.

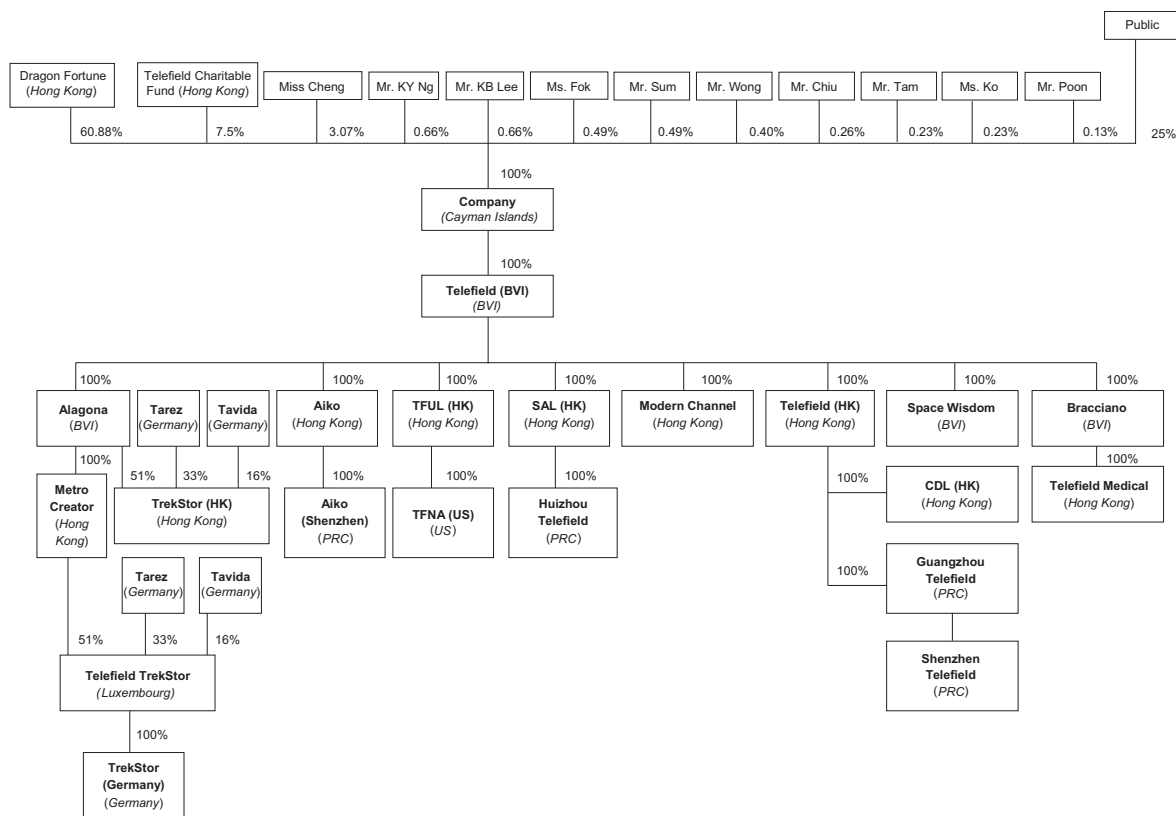
CORPORATE AND SHAREHOLDING STRUCTURE OF THE GROUP IMMEDIATELY BEFORE THE CAPITALISATION ISSUE AND THE SHARE OFFER



HISTORY, REORGANISATION AND GROUP STRUCTURE

CORPORATE AND SHAREHOLDING STRUCTURE OF THE GROUP UPON COMPLETION OF THE CAPITALISATION ISSUE AND THE SHARE OFFER

The following chart illustrates the corporate structure of the Group immediately upon completion of the Capitalisation Issue and the Share Offer (assuming the Over-allotment Option is not exercised):



Notes:

- (1) Alagona, Bracciano, Metro Creator, Space Wisdom and Telefield (BVI) are investment holding companies.
- (2) Aiko is principally engaged in the trading of products manufactured by Guangzhou Telefield.
- (3) Aiko (Shenzhen) is principally engaged in the design and distribution of electronic products, fitness equipment, massage equipment, household appliances and telephones.
- (4) CDL (HK) is principally engaged in property investment.
- (5) Guangzhou Telefield is principally engaged in the manufacturing, processing and design of various types of telecommunications products and other household appliances and electronic products.
- (6) Huizhou Telefield is principally engaged in the manufacturing and processing of various types of telecommunications products and other household appliances and electronic products.
- (7) Modern Channel is currently inactive.
- (8) SAL (HK) is principally engaged in the trading of products manufactured by Huizhou Telefield.

HISTORY, REORGANISATION AND GROUP STRUCTURE

- (9) Shenzhen Telefield is a branch office of Guangzhou Telefield. Shenzhen Telefield is a development and administration centre.
- (10) Telefield (HK) is principally engaged in the trading of products manufactured by Guangzhou Telefield and Huizhou Telefield.
- (11) Telefield Medical is principally engaged in the trading of personal care products.
- (12) TFUL (HK) is principally engaged in the trading of products from Telefield (HK), SAL (HK) and/or other suppliers with TFNA (US).
- (13) TFNA (US) is principally engaged in the distribution of SMB phone systems under the “RCA” brand in North America.
- (14) TrekStor (HK) is the owner of certain intellectual property rights of the Group and it is engaged in the licensing of certain intellectual property rights of the Group.
- (15) Telefield TrekStor is principally engaged in the licensing of certain intellectual property rights of the Group.
- (16) TrekStor (Germany) is principally engaged in assembly and/or distribution of portable storage devices and/or multimedia products under the “TrekStor” brand mainly in Germany and various other countries in Europe.