TELEFIELD™

Telefield International (Holdings) Limited

中慧國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1143

Placing and Public Offer

Sole Bookrunner and Sponsor

招商證券(香港)有限公司

CHINA MERCHANTS SECURITIES (HK) CO., LTD.

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.

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TELEFIELD INTERNATIONAL (HOLDINGS) LIMITED
中慧國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

LISTING ON THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED PLACING AND PUBLIC OFFER

Number of Offer Shares	:	**100,000,000 Shares (subject to the Over-allotment Option)**
Number of Placing Shares	:	**90,000,000 Shares (subject to the Over-allotment Option and re-allocation)**
Number of Public Offer Shares	:	**10,000,000 Shares (subject to re-allocation)**
Offer Price	:	**Not more than HK$1.35 per Offer Share, plus brokerage fee of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003% (payable in full on application in Hong Kong dollars and subject to refund) and expect to be not less than HK$1.01 per Offer Share**
Nominal value	:	**HK$0.01 each**
Stock code	:	**1143**

Sole Bookrunner and Sponsor

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

Joint Lead Managers

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

滙富集團 KingswayGroup

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by the Price Determination Agreement between China Merchants Securities (for itself and on behalf of the Underwriters) and the Company on or before Thursday, 20 January 2011 or such later time as may be agreed between the parties, but in any event, no later than 9:00 p.m. (Hong Kong time) on Friday, 21 January 2011. If, for any reason, China Merchants Securities (for itself and on behalf of the Underwriters) and the Company are unable to reach an agreement on the Offer Price by 9:00 p.m. (Hong Kong time) on Friday, 21 January 2011, the Share Offer will not become unconditional and will lapse immediately. The Offer Price will fall within the Offer Price range stated in this prospectus unless otherwise announced, as explained below. Investors applying for the Offer Shares must pay the maximum Offer Price of HK$1.35 per Offer Share together with brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. China Merchants Securities (for itself and on behalf of the Underwriters) may, with the consent of the Company, reduce the number of Offer Shares and/or the indicative maximum Offer Price at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, notice of the reduction in the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Public Offer. Such notice will also be available at the website of the Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.telefieldgroup.com.hk**. If applications for Public Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Public Offer, then even if the Offer Price is so reduced, such applications cannot be subsequently withdrawn.

Pursuant to the force majeure provisions contained in the Public Offer Underwriting Agreement in respect of the Public Offer, China Merchants Securities (for itself and on behalf of the Public Offer Underwriters) has the right in certain circumstances, subject to its sole and absolute opinion (for itself and on behalf of the Public Offer Underwriters), to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Thursday, 27 January 2011). Further details of the terms of the force majeure provisions are set out in the section headed "Underwriting" in this prospectus.

If, for any reason, the Offer Price is not agreed between China Merchants Securities (for itself and on behalf of the Underwriters) and the Company on or before Friday, 21 January 2011 or such later date as may be agreed by China Merchants Securities (for itself and on behalf of the Underwriters) and the Company, the Share Offer will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Offer Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreements by notice in writing to be given by the Joint Lead Managers (for themselves and on behalf of the Underwriters) upon the occurrence of any of the events set forth under the paragraph headed "Grounds for termination" under the section headed "Underwriting" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date.

14 January 2011

The Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) if there is any change in the following expected timetable of the Public Offer.

	2011 *(Note 1)*
Latest time to complete electronic applications under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk***(Note 4)*	11:30 a.m. on Wednesday, 19 January
Application lists of the Public Offer open *(Note 2)*	11:45 a.m. on Wednesday, 19 January
Latest time to lodge **WHITE** and **YELLOW** Application Forms *(Note 2)*	12:00 noon on Wednesday, 19 January
Latest time to give **electronic application instructions** to HKSCC via CCASS *(Note 3)*	12:00 noon on Wednesday, 19 January
Latest time to complete payment of **HK eIPO White Form** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 19 January
Application lists of the Public Offer close *(Note 2)*	12:00 noon on Wednesday, 19 January
Expected Price Determination Date *(Note 5)*	Thursday, 20 January
Announcement of: (i) the Offer Price; (ii) indication of level of interests in the Placing; (iii) the level of applications in the Public Offer; and (iv) the basis of allotment of the Public Offer Shares is expected to be published in the South China Morning Post (in English) and Hong Kong Economic Journal (in Chinese) and available at the website of the Company at **www.telefieldgroup.com.hk** and the website of the Stock Exchange at **www.hkexnews.hk** on or before	Wednesday, 26 January
Announcement of results of allocations in the Public Offer (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels (see the paragraph headed "7. Results of allocations" under the section headed "How to Apply for Public Offer Shares – III. Applying by using a **WHITE** or **YELLOW** Application Form" in this prospectus)	Wednesday, 26 January

	2011 (Note 1)
Results of allocations in the Public Offer will be available at **www.tricor.com.hk/ipo/result** with a "search by ID" function	Wednesday, 26 January
Despatch of refund cheques and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly successful (if applicable) and wholly or partially unsuccessful applications under the Public Offer on or before (Notes 6 & 8)	Wednesday, 26 January
Despatch of the share certificates of the Offer Shares or deposit of certificates of the Offer Shares into CCASS in respect of wholly or partially successfully applications pursuant to the Public Offer on or before (Notes 6, 7 & 8)	Wednesday, 26 January
Dealings in Shares on the Stock Exchange expected to commence on	Thursday, 27 January

Notes:

(1) All times and dates refer to Hong Kong local times and dates, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 19 January 2011, the application lists will not open on that day. Further information is set out in the paragraph headed "6. Effect of bad weather on the opening of the application lists" under the section headed "How to Apply for Public Offer Shares – III. Applying by using a **WHITE** or **YELLOW** Application Form" and the paragraph headed "7. Effect of bad weather on the opening of the application lists" under the section headed "How to Apply for Public Offer Shares – V. Applying by giving electronic application instructions to HKSCC" in this prospectus. If the application lists do not open and close on Wednesday, 19 January 2011, the dates mentioned in this section headed "Expected Timetable" may be affected. An announcement will be made by the Company in such event.

(3) Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed "How to Apply for Public Offer Shares – V. Applying by giving electronic application instructions to HKSCC" in this prospectus.

(4) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(5) The Price Determination Date is expected to be on or about Thursday, 20 January 2011, and in any event no later than 9:00 p.m. on Friday, 21 January 2011. If, for any reason, the Offer Price is not agreed on or before 9:00 p.m. on Friday, 21 January 2011, the Share Offer (including the Public Offer) will not proceed and will lapse.

(6) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer and also in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application. All refunds will be paid by e-Auto Refund payment instruction or a cheque crossed "Account Payee Only" made to you, or if you are joint applicants, to the first named applicant on your Application Form. Part of your Hong Kong identity card number/passport number or if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purpose. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

(7) Share certificates for the Public Offer Shares will only become valid certificates of title provided that (i) the Share Offer has become unconditional in all respects; and (ii) the Underwriting Agreements have not been terminated in accordance with their terms before 8:00 a.m. on the Listing Date, which is expected to be on Thursday, 27 January 2011. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid do so entirely at their own risk. If the Share Offer does not become unconditional or the Underwriting Agreements are terminated in accordance with their terms, the Company will make an announcement as soon as possible.

(8) Applicants who have applied on **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer and have indicated in their applications that they wish to collect any refund cheque(s) and share certificate(s) in person, may do so from the Hong Kong Share Registrar, Tricor Investor Services Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 26 January 2011. Applicants being individuals who opt for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to Tricor Investor Services Limited. Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer may collect their refund cheque(s), if any, in person but may not elect to collect their share certificate(s) which will be deposited into CCASS for the credit of their designated CCASS participants' stock accounts or CCASS investor participant stock accounts, as appropriate. The procedures for collection of refund cheque(s) for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed "How to Apply for Public Offer Shares – V. Applying by giving electronic application instructions to HKSCC" in this prospectus for further details. Uncollected share certificate(s) (if applicable) and refund cheque(s) (if applicable) will be despatched by ordinary post at the applicants' own risk to the addresses specified in the relevant applications. Further information is set out in the paragraph headed "8. Despatch/collection of share certificates, e-Auto Refund payment instructions and refund cheques" under the section headed "How to Apply for Public Offer Shares – III. Applying by using a **WHITE** or **YELLOW** Application Form" in this prospectus.

You should read carefully the sections headed "Structure of the Share Offer" and "How to Apply for Public Offer Shares" in this prospectus for details relating to the structure of the Share Offer and how to apply for Public Offer Shares.

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This prospectus is issued by the Company solely in connection with the Public Offer and the Public Offer Shares and does not constitute an offer to sell, or a solicitation of an offer to subscribe for or buy, and security other than the Public Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell, or a solicitation of an offer to subscribe or buy, any security in any other jurisdictions or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares, or the distribution of this prospectus, in any jurisdiction other than Hong Kong.

You should only rely on the information contained in this prospectus and the Application Forms to make your investment decision. The Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by the Company, the Sole Bookrunner, the Joint Lead Managers, the Sponsor, the Underwriters, any of their respective directors or any other persons or parties involved in the Share Offer.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

Business model

The Group is an established EMS provider headquartered in Hong Kong, which offers one-stop solutions to a number of international brand owners of consumer electronic products. As the Group offers one-stop solutions to its customers including research and development, sourcing and procurement, production, sales and logistics and after-sales services, which are services provided by either ODM or OEM, the Directors believe that the term "EMS" which is generally used in consumer electronics industry, is best suited to describe the Group's business. The Group distinguishes itself from traditional EMS providers by the change of its business model from a sole EMS provider to an operator of both EMS and branded businesses through tapping into the branded products market in 2009. Please refer to the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus for the risks associated with the above-mentioned change in the Group's business model. The Group currently has a diversified customer base covering Japan, the Asia-Pacific region, the Americas and Europe, and with international brand owners of consumer electronic products like owners of "Pioneer" and "Vasco" as its EMS customers, the aggregate revenue generated from whom accounted for approximately 42.6%, 26.6%, 26.0% and 19.2%, respectively, of the Group's total revenue for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010. During the Track Record Period, a considerable proportion of the Group's revenue under the EMS segment was generated from its ODM customers to whom the Group provided one-stop solutions including research and development, sourcing and procurement, production, sales and logistics and after-sales services. The Group's branded businesses include distribution of small and medium business phone systems (the "**SMB phone systems**") under the "RCA" brand in North America and assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand in Europe. 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. The Directors believe that the "TrekStor" brand has enjoyed a good reputation in Germany in relation to portable storage devices and multimedia products before early 2009.

The Group is headquartered in Hong Kong. Whilst a majority of the Group's management team, administrative team and research team are in Hong Kong, most of its production and development activities are carried out in the PRC. While the Group's portable storage devices under the "TrekStor" brand are assembled in Germany, most of its products are manufactured in its production facilities in Guangzhou and Huizhou. The Group has leased offices in Shenzhen where some of its administrative and development activities are conducted. As at the Latest Practicable Date, the Group had (i) 17 fully automated surface mount technology ("**SMT**") production lines; (ii) 22 production lines and 20 bonding machines for COB assembly; and (iii) approximately 2,400 full-time employees in its production facilities. The Group's production lines can, with minor adjustments, be used for the production of consumer electronic products for different EMS customers.

As at the Latest Practicable Date, the Group had approximately 100 engineers who focus on technology research, product realisation and commercialisation through turning conceptual designs into deliverable products, design improvements and optimisation of production processes. In recent years, the Group has expanded its research and development capabilities and intends to devote additional resources to technological advancement. During the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group's research and development expenses amounted to approximately HK$11.0 million, HK$17.1 million, HK$18.8 million and HK$11.9 million, respectively.

The Group's revenue increased from approximately HK$564.1 million for the year ended 31 December 2007 to approximately HK$821.9 million for the year ended 31 December 2009, representing a CAGR of approximately 20.7%. The Group's net profit attributable to the Shareholders increased from approximately HK$14.4 million for the year ended 31 December 2007 to approximately HK$76.2 million for the year ended 31 December 2009, representing a CAGR of approximately 130.0%.

EMS business

The Group's EMS business is principally conducted on a turnkey basis. Its one-stop solutions under the EMS business include research and development, sourcing and procurement, production, sales and logistics and after-sales services. The Directors consider that the Group's achievements in its EMS business are mainly attributable to the Group's relationships with certain international players in the global consumer electronic products industry, its expertise in providing flexible manufacturing solutions, as well as its experienced and dedicated management team and engineers.

The Group has been committed to bringing high quality consumer electronic products to its customers, and has adopted stringent quality assurance procedures at different stages of its business operation spanning from the pre-production process to the inspection of finished goods. The Group's production facilities obtained various quality standard certifications, including ISO 9001 certification, ISO 14001 certification and ISO 13485 certification.

Branded businesses

Leveraging on its EMS capabilities, the Group has been developing its branded businesses since 2009. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the Group had 61 and 74 customers for its branded businesses, respectively, who were mainly retailers and distributors. The revenue generated from the Group's branded businesses accounted for approximately 17.1% and 32.0% of the Group's total revenue for the year ended 31 December 2009 and the eight months ended 31 August 2010, respectively. Please refer to the paragraph headed "Branded businesses" under the section headed "Business – Business model" in this prospectus for further details of the Group's branded businesses. By developing the branded businesses, the Directors believe that the Group is able to (i) expand and enlarge its customer base across a wider geographical region covering the Americas and Europe; (ii) distinguish itself from traditional EMS providers by becoming a distributor of international brands of consumer electronic products; and (iii) operate a more vertically-integrated manufacturing business model supported by an international distribution network.

The Group's branded businesses, which commenced in March 2009, are new and have a short track record. As such, it is difficult to identify the difficulties that the Group may encounter in different stages of developing and implementing its branded business model. In order to minimise the risks involved in the business expansion into the branded products market, the Directors proactively assess and identify the risks involved in the branded businesses, including the exposure to exchange rate fluctuations and product liability risks. Since the commencement of its branded businesses, the Group has adopted currency hedging and strengthened its quality assurance, including quality audit before exit of the suppliers' factories in the PRC, participation in product development cycle and performing reliability confirmation testing before the commencement of production. In addition, the Directors believe that, with the existing expertise and experience of the Group's senior management team in EMS and/or branded businesses, the Group will be able to achieve business growth in the branded products market. Furthermore, the Group has efficient inventory management to maintain the inventory for branded businesses at a minimum level by adopting the inventory control measures for its EMS business with slight modifications.

Licensed brand products distribution business in North America

The Group's licensed brand business in North America is primarily related to the distribution of pre-approved models of SMB phone systems under the "RCA" brand through licensing arrangement under the RCA Licence Agreement, which is due to expire on 31 December 2013. Please refer to the paragraph headed "Branded businesses – Licensed brand products distribution business in North America – Licensing arrangement" under the section headed "Business – Business model" in this prospectus for details of the licensing arrangements. According to NPD, for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the retail revenue of SMB phone systems in the US amounted to approximately US$129.9 million, US$101.3 million, US$82.4 million and US$51.1 million, respectively. For the year ended 31 December 2009 and the eight months ended 31 August 2010, revenue generated from the distribution business of SMB phone systems under the "RCA" brand accounted for approximately 14.3% and 15.1% of the Group's total revenue, respectively. Although the Group has started preliminary discussion to renew the RCA Licence

Agreement, there is no assurance that the Group could secure the renewal on favourable terms or at all. Please refer to the paragraph headed "The Group's branded businesses have a short track record and the Group may not be able to realise the benefits envisioned for its expansion into the branded businesses – Distribution of SMB phone systems under the 'RCA' brand" under the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus for further details of the relevant risks.

Own brand products distribution business in Europe

In addition, the Group has assembled and/or distributed portable storage devices and/or multimedia products under the "TrekStor" brand, which are marketed and distributed to electronics superstores and other retailers mainly in Germany and various other countries in Europe. The Group's own brand business under the "TrekStor" brand recorded a net loss of approximately HK$22.3 million during the eight months ended 31 August 2010. The loss was mainly attributable to (i) sales picked up slowly when the Group was re-establishing the business relationship with the customers of TrekStor GmbH & Co. KG (in liquidation) while the Group was obliged to continue to pay for overhead costs such as staff costs and rent; and (ii) the Group was taking steps to resume new product development to introduce new products to the market. Please refer to the section headed "Financial Information – Review of historical operating results" in this prospectus for further details.

Revenue

The table below sets forth the Group's revenue generated by the Group's three business segments, including a breakdown of the Group' s EMS segment into two principal product lines, namely, telecommunications products and non-telecommunications products, and into principal products, in absolute amounts and as a percentage of the Group's total revenue from external customers, for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
EMS										
Telecommunications products										
– Corded and cordless residential telephones and SMB phone systems	328,342	58.2	356,504	42.0	171,148	20.8	101,897	20.5	99,651	14.5
Non-telecommunications products										
– Appliances and appliances control products	102,495	18.2	322,408	38.0	374,914	45.6	249,386	50.2	302,147	43.8
– Multimedia products	90,440	16.0	111,931	13.2	57,109	7.0	32,231	6.5	19,599	2.8
– Computer accessories	–	–	–	–	13,550	1.6	337	0.1	13,719	2.0
– Beauty care equipment	11,424	2.0	8,842	1.0	1,557	0.2	1,379	0.3	2,937	0.5
– Others	31,351	5.6	48,807	5.8	63,598	7.7	45,019	9.0	30,620	4.4
EMS segment subtotal	564,052	100.0	848,492	100.0	681,876	82.9	430,249	86.6	468,673	68.0
Branded businesses										
Telecommunications products										
– SMB phone systems (Licensed brand business)	–	–	–	–	117,367	14.3	66,545	13.4	104,562	15.1
Non-telecommunications products										
– Portable storage devices and multimedia products (Own brand business)	–	–	–	–	22,655	2.8	–	–	116,306	16.9
Branded businesses segment subtotal	–	–	–	–	140,022	17.1	66,545	13.4	220,868	32.0
Total	**564,052**	**100.0**	**848,492**	**100.0**	**821,898**	**100.0**	**496,794**	**100.0**	**689,541**	**100.0**

The table below sets forth a breakdown of the Group's gross profit and gross profit margin ("**GPM**") for its business segments, principal product lines and principal products, for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
		GPM		GPM		GPM		GPM		GPM
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
EMS										
Telecommunications products										
– Corded and cordless residential telephones and SMB phone systems	19,075	5.8	31,078	8.7	13,655	8.0	8,186	8.0	9,711	9.7
Non-telecommunications products										
– Appliances and appliances control products	36,839	35.9	86,571	26.9	115,216	30.7	78,606	31.5	80,023	26.5
– Multimedia products	7,407	8.2	15,765	14.1	10,742	18.8	4,199	13.0	5,460	27.9
– Computer accessories	–	–	–	–	528	3.9	86	25.5	1,446	10.5
– Beauty care equipment	2,054	18.0	1,045	11.8	464	29.8	361	26.2	446	15.2
– Others	880	2.8	1,871	3.8	7,674	12.1	4,502	10.0	6,753	22.1
EMS segment gross profit and GPM	66,255	11.7	136,330	16.1	148,279	21.7	95,940	22.3	103,839	22.1
Branded businesses										
Telecommunications products										
– SMB phone systems (Licensed brand business)	–	–	–	–	35,281	30.1	20,179	30.3	33,732	32.3
Non-telecommunications products										
– Portable storage devices and multimedia products (Own brand business)	–	–	–	–	4,172	18.4	–	–	14,894	12.8
Branded businesses segment gross profit and GPM	–	–	–	–	39,453	28.2	20,179	30.3	48,626	22.0
Total gross profit and overall GPM	**66,255**	**11.7**	**136,330**	**16.1**	**187,732**	**22.8**	**116,119**	**23.4**	**152,465**	**22.1**

For the year ended 31 December 2009 and the eight months ended 31 August 2010, revenue generated by the Group's branded businesses amounted to approximately HK$140.0 million and HK$220.9 million, respectively, representing approximately 17.1% and 32.0% of its aggregate revenue for the corresponding periods, respectively. The Group intends to further expand its branded businesses in the future.

COMPETITIVE STRENGTHS

The Directors believe that the Group's success and future success are based on the following competitive strengths:

- the Group distinguishes itself from traditional EMS providers by its branded businesses;
- vertically-integrated business model facilitates an efficient product mix, and improves the speed to market and the product quality;
- established and long-standing relationships with customers;
- flexible, efficient and one-stop solutions;
- strong focus on research and development; and
- strong and stable management team with extensive industry experience.

BUSINESS STRATEGIES

The Group aims to develop its branded businesses by expanding the portfolio of its brands and products. In addition, the Group aims to become one of the leading EMS providers in Hong Kong. In particular, the Group aims to achieve sustainable growth in its revenue and net profit. To achieve the above-mentioned goals, the Group will implement the following strategies:

- acquire and/or license additional brands to expand its branded businesses;
- focus on potential market segments to target higher profit margin opportunities;
- strengthen the Group's sales and marketing effort and enhance its relationship with existing customers;
- improve production technologies and devote more resources to research and development;
- expand and upgrade the Group's production facilities; and
- strengthen the Group's existing branded businesses and develop its own brands.

FUTURE PLANS

The Group intends to implement the business strategies as set out in the section headed "Business – Business strategies" in this prospectus.

USE OF PROCEEDS

Based on an Offer Price of HK$1.18 per Offer Share (being the mid-point of the indicative Offer Price range between HK$1.01 per Offer Share and HK$1.35 per Offer Share), the gross proceeds of the Share Offer, assuming the Over-allotment Option is not exercised, are estimated to be approximately HK$118.0 million. The net proceeds of the Share Offer after deducting the expenses payable by the Company, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK$97.2 million. At present, the Directors intend to apply the net proceeds of approximately HK$97.2 million in the following manner:

- approximately 30% (equivalent to approximately HK$29.2 million) thereof will be used for acquisitions of new branded businesses. The Group will assess the opportunities to acquire or license additional brands in order to expand the portfolio of its brands and products for its branded businesses. The Group targets to acquire prospective brands which would provide higher profit margins. As at the Latest Practicable Date, the Group has not identified any potential acquisition targets. In the event the Group proceeds with such acquisition(s), the Group may require additional financing and employ part of its working capital, apart from employing part of the proceeds to be raised from the Share Offer;

- approximately 20% (equivalent to approximately HK$19.4 million) thereof will be used for the expansion of current branded businesses in existing markets and to other geographical regions. The Group plans to enter into distributorship arrangements for its SMB phone systems in Central and South America, and set up sales offices or enter into distributorship arrangements for its existing "TrekStor" brand in certain countries in Europe, including France and Poland within two years from the Listing Date. The Group may require additional financing and employ part of its working capital, apart from employing part of the proceeds to be raised from the Share Offer for such expansion;

- approximately 20% (equivalent to approximately HK$19.4 million) thereof will be used for the expansion of production capability, including expansion of automated manufacturing and plastic injection facilities in both Guangzhou and Huizhou production facilities, as well as the expansion of the beauty care and medical electronics production lines. Given that (i) the production capacity of the Group's automated and semi-automated production facilities are, at times, saturated during the peak seasons; (ii) the Group plans to develop and manufacture new products such as beauty care and medical electronic products; and (iii) the Group intends to cater to possible increases in demands in the coming few years, the Group plans to further expand its production capacity by adding new machines and production lines including three sets of SMT machines, 12 sets of plastic injection machines and four assembly lines;

- approximately 10% (equivalent to approximately HK$9.7 million) thereof will be used for the purchase of land and buildings. Currently the Group leases a total gross floor area of approximately 14,667 sq.m. in Huizhou for industrial and staff quarter uses. Such leases will expire on 31 December 2014. In order to avoid future relocation of the Group's production facilities after the expiry of the Huizhou leases, the Group plans to purchase land and buildings of the Huizhou production facilities. As at the Latest Practicable Date, the Group has not entered into any formal sale and purchase agreement in respect of the proposed purchase of the Huizhou production facilities;

- approximately 10% (equivalent to approximately HK$9.7 million) thereof will be used for research and development activities. The Group plans to devote both in-house and external resources to the research and development of medical electronic equipment and products in the ultrasonic imaging and respiratory monitoring areas. As at the Latest Practicable Date, the Group has not developed any products in this area. For details of the research and development activities on medical electronic equipment and products, please refer to the section headed "Business – Research and development" in this prospectus;

- approximately 5% (equivalent to approximately HK$4.9 million) thereof will be used to establish marketing offices overseas and in the PRC. The Group plans to establish marketing offices overseas, for example, in Japan, in order to capture new international brand owners there as its new EMS customers. In addition, the Group plans to establish marketing offices in major cities in the PRC, including Shanghai and Chengdu; and

- the remaining balance thereof will be used as general working capital of the Group.

TRADING RECORD

The following table is a summary of the combined results of the Group for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2009 and 31 August 2010, which has been extracted from, and should be read in conjunction with, the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (*unaudited*)	*HK$'000*
Revenue	564,052	848,492	821,898	496,794	689,541
Cost of goods sold	(497,797)	(712,162)	(634,166)	(380,675)	(537,076)
Gross profit	66,255	136,330	187,732	116,119	152,465
Other income *(Note 1)*	5,636	3,819	12,371	4,630	5,862
Selling and distribution expenses	(12,767)	(17,413)	(39,851)	(19,043)	(46,608)
Administrative expenses	(27,565)	(40,299)	(52,996)	(28,000)	(49,658)
Other operating expenses	(12,752)	(20,530)	(22,507)	(9,406)	(14,619)
Profit from operations	18,807	61,907	84,749	64,300	47,442
Finance costs	(1,969)	(1,844)	(947)	(607)	(2,328)
Gain on disposal of subsidiaries *(Note 2)*	–	–	1,596	784	–
Share of loss of an associate	(297)	(17)	–	–	–
Profit before taxation	16,541	60,046	85,398	64,477	45,114
Income tax expense	(2,188)	(8,792)	(12,731)	(10,913)	(9,155)
Profit for the year/period	14,353	51,254	72,667	53,564	35,959
Attributable to:					
Owners of the Company	14,353	51,258	76,216	53,564	47,179
Non-controlling interests	–	(4)	(3,549)	–	(11,220)
	14,353	51,254	72,667	53,564	35,959
Earnings per Share					
– Basic *(HK cents)*	3.59	12.81	19.05	13.39	11.79

Note:

(1) Other income for the year ended 31 December 2009 included a non-recurring gain amounted to approximately HK$9.0 million resulting from discount on acquisition, details of which are set out in note 35(b) to the Accountants' Report in Appendix I to this prospectus.

(2) Gain on disposal of subsidiaries represented non-recurring net gains recognised upon the disposal of two of the Group's subsidiaries, MBK Limited and Telefield Technologies Limited, on 1 April 2009 and 31 December 2009, respectively, which amounted to approximately HK$784,000 and HK$812,000, respectively, details of which are set out in note 35(a) to the Accountants' Report in Appendix I to this prospectus.

Summary statements of financial position data

	At 31 December 2007 HK$'000	At 31 December 2008 HK$'000	At 31 December 2009 HK$'000	At 31 August 2010 HK$'000
Non-current assets	41,652	51,673	116,849	108,641
Current assets	239,288	321,218	354,788	458,957
Current liabilities	202,868	250,569	287,179	350,875
Non-current liabilities	2,585	1,923	38,588	34,010
Equity attributable to owners of the Company	75,487	120,399	146,681	194,744
Non-controlling interests	–	–	(811)	(12,031)

Summary statements of cash flow data

	Year ended 31 December 2007 HK$'000	Year ended 31 December 2008 HK$'000	Year ended 31 December 2009 HK$'000	Eight months ended 31 August 2009 HK$'000 (unaudited)	Eight months ended 31 August 2010 HK$'000
Net cash generated from operating activities	22,313	100,305	99,300	98,727	31,504
Net cash used in investing activities	(14,363)	(25,081)	(52,129)	(32,825)	(17,196)
Net cash generated from/(used in) financing activities	(18,606)	(14,612)	(55,113)	(37,775)	23,471

Profit Estimate for the year ended 31 December 2010

Unaudited estimated combined profit attributable to owners of the Company(Note 1)	not less than HK$67.6 million
Unaudited pro forma estimated earnings per Share(Note 2)	not less than HK$0.17

Notes:

(1) The bases and assumptions on which the above profit estimate for the year ended 31 December 2010 has been prepared are set out in Appendix III to this prospectus.

(2) The calculation of unaudited pro forma estimated earnings per Share for the year ended 31 December 2010 is based on the above unaudited estimated combined profit attributable to owners of the Company for the year ended 31 December 2010 and assumes that a total of 400,000,000 Shares were in issue during the entire year, without taking into account any further Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of options which have been granted or may be granted under the Share Option Scheme.

STATISTICS OF THE SHARE OFFER

	Based on an Offer Price of	
	HK$1.01 per Offer Share	**HK$1.35 per Offer Share**
Expected market capitalisation*(Note 1)*	HK$404 million	HK$540 million
Prospective price/earnings multiple*(Note 2)*	6.0 times	8.0 times
Unaudited pro forma adjusted net tangible assets per Share*(Note 3)*	HK$0.60	HK$0.69

Notes:

(1) The calculation of market capitalisation is based on the multiple of the Offer Price and 400,000,000 Shares expected to be in issue immediately following the Capitalisation Issue and the Share Offer, but takes no account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates granted to the Directors for the allotment and issue or repurchase of Shares as referred to in the paragraph headed “Resolutions in writing of all the Shareholders passed on 31 December 2010” in Appendix VI to this prospectus.

(2) The calculation of the prospective price/earnings multiple on a pro forma basis is based on the estimated combined net profit attributable to owners of the Company for the year ended 31 December 2010 of approximately HK$67.6 million, the respective Offer Prices of HK$1.01 and HK$1.35 per Offer Share and on the basis of a total of 400,000,000 Shares in issue and to be issued as mentioned herein. This calculation has not taken into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company.

(3) The unaudited pro forma adjusted net tangible assets per Share as at 31 August 2010 has been arrived at after making the adjustments set out in the section headed “Financial Information – Unaudited Pro Forma Adjusted Net Tangible Assets” in this prospectus and on the basis of a total of 400,000,000 Shares in issue and to be issued as mentioned herein.

DIVIDENDS

Subject to the Companies Law, the Company may declare dividends at a general meeting of the Shareholders in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provide that dividends may be declared and paid out of the Company's profit, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. The principal source of funding for the Company's dividend payment was the cash inflow generated from the Group's operations. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except insofar as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him/her to the Company on account of calls or otherwise.

The Board will review the Company's dividend policy from time to time taking into account the following factors in determining whether dividends are to be declared and paid:

- the Group's earnings and profitability;
- interests of the Shareholders;
- the Group's general business conditions and strategies;
- the Group's capital requirements;
- the payment of cash dividends to the Company by its subsidiaries;
- possible effects of dividend distribution on the liquidity and financial position of the Group; and
- any other factors which the Board may deem relevant.

The Company's future dividend payments to the Shareholders will also depend upon the availability of dividends declared and distributed by the Group's subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from HKFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute dividends. These statutory reserves are not available for distribution as cash dividends. Distributions from the Group's subsidiaries may also be restricted if they incur losses or by any restrictive covenants in bank credit facilities or other agreements that the Group or its subsidiaries may enter into in the future.

Any dividends on the Shares will be declared and paid in Hong Kong dollars on a per Share basis. Any final dividend for a financial year will be subject to Shareholders' approval.

After completion of the Share Offer, the Shareholders will be entitled to receive dividends declared by the Company. Subject to the considerations and factors described above, the Group's future dividend policy is that approximately 30% to 50% of the Group's profits available for distribution will be recommended for distribution for each financial year. As the Company has not been listed for the whole of the year ending 31 December 2011, the dividend payment for the year ending 31 December 2011 will be determined on a pro-rata basis based on the period from the Listing Date to 31 December 2011.

The Group's subsidiaries declared dividends of approximately HK$10.0 million, HK$19.0 million, HK$33.5 million and HK$33.8 million to their then shareholders for profit generated during the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The principal source of funding for such dividend payments was from the cash inflow generated from the Group's operations. As at the Latest Practicable Date, all dividends payable for each year or period during the Track Record Period had been settled.

Please refer to the section headed "Financial Information – Dividends" in this prospectus for further details.

RISK FACTORS

The Group's operations are subject to a number of risks, a detailed discussion of which is set out in the section headed "Risk Factors" in this prospectus. These risks can be broadly classified as: (i) risks relating to the business of the Group; (ii) risks relating to the industry; (iii) risks relating to the PRC; and (iv) risks relating to the Share Offer. A list of risks is set out below.

Risks relating to the business of the Group

- the Group faces risks associated with the changes in its business model;
- the Group's branded businesses have a short track record and the Group may not be able to realise the benefits envisioned for its expansion into the branded businesses;
- the Group's revenue is subject to seasonal fluctuations;
- the Group's business relies to a large extent on the relationships with its major customers;
- the Group may not be able to adapt to its customers' varying requirements, and failure to adapt to such requirements may result in loss of customers and business;
- the Group has experienced significant growth in the past, it may not be able to maintain such growth in the future;
- the Company is a holding company and, therefore, the Company's ability to pay dividends or make any other distributions depends entirely on distributions received from its subsidiaries;

- the Group may be adversely affected by product liability claims;
- the Group's success relies to a large extent on its intellectual property rights, and failure to protect such intellectual property rights may affect its ability to compete;
- the Group's reliance on key management and personnel;
- the Group relies on its suppliers to supply quality raw materials and components;
- machinery is subject to breakdown and depreciation and the Group may not be able to find replacements;
- the Group may encounter difficulties in entering into new markets and implementing its expansion plans;
- fluctuations in foreign exchange rates may adversely affect the Group's business;
- the Group's results may be adversely affected by the global economic downturn and adverse credit and market conditions;
- title defects of the Group's leased properties;
- the Group's non-compliance with certain social security insurance and housing provident fund contributions laws and regulations in the PRC could lead to the imposition of fines and penalties;
- inventory obsolescence may affect the Group's profitability and financial results;
- increase in net sales return may affect the Group's profitability and financial results;
- the Group may be affected by labour disruptions and rising labour costs;
- the Group may be subject to acts of God, acts of war and epidemics or pandemics which are beyond its control and which may cause damage, loss or disruption to its business; and
- the Group is subject to certain restrictive covenants and certain risks normally associated with debt financing which may limit or otherwise adversely affect its operations.

Risks relating to the industry

- the Group's results of operations may be adversely affected by environmental and safety regulations to which the Group is subject to;

- the Group's failure to compete effectively in the design of its products could result in loss of customers, which could have an adverse effect on the Group's results of operations;

- if the Group fails to keep pace with technological changes, its business, financial position and results of operations may be adversely affected;

- the Group may face liabilities for infringement of intellectual property rights of third parties; and

- the Group's business operations depend on the outsourcing of manufacturing operations by international brand owners of consumer electronic products.

Risks relating to the PRC

- political and economic policies of the PRC government could affect the Group's business;

- any changes in the PRC government policies regarding foreign investments in the PRC may adversely affect the Group's business, financial position and results of operations;

- distribution and transfer of funds may be subject to restrictions under the PRC law;

- government control of currency conversion and changes in the exchange rate between RMB and other currencies could adversely affect the Group's financial condition, operations and its ability to pay dividends; and

- cost of compliance with the PRC Labour Contract Law and other increases in labour costs may adversely affect the Group's competitive advantage and profits.

Risks relating to the Share Offer

- liquidity and possible price volatility of the Shares;

- there can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which the Group operates;

- issue of new Shares under the Share Option Scheme will have a dilution effect and may affect the Group's profitability; and

- you should not rely on any information contained in press articles or other media regarding the Company and the Share Offer.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

"Aiko"	Aiko Products Limited (艾科產品有限公司) (formerly known as "Aiko Beauty Products Limited (艾科產品有限公司)"), a company incorporated in Hong Kong with limited liability on 6 August 2003, which is wholly owned by Telefield (BVI), an indirect wholly-owned subsidiary of the Company
"Aiko (Shenzhen)"	愛康科商貿(深圳)有限公司 (Aiko Beauty (Shenzhen) Limited), a company established in the PRC with limited liability on 26 September 2006, which is wholly owned by Aiko, an indirect wholly-owned subsidiary of the Company
"Alagona"	Alagona Holdings Limited, a company incorporated in BVI with limited liability on 23 October 2009, which is wholly owned by Telefield (BVI), an indirect wholly-owned subsidiary of the Company
"Americas"	comprising North America, Central America and South America, including the Caribbean
"Application Form(s)"	**WHITE**, **YELLOW** and **GREEN** application form(s), or where the context so requires, any of them, used in the Public Offer
"Articles of Association" or "Articles"	the articles of association of the Company adopted on 31 December 2010 and as amended from time to time, a summary of which is set out in Appendix V to this prospectus
"Asia-Pacific region"	for the purpose of this prospectus only, comprising the Asian continent from India to the PRC, Korea, south of Russia, Indonesia, Singapore, Taiwan, Hong Kong, the Philippines and Australia
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of Directors

“Bracciano”	Bracciano Limited, a company incorporated in BVI with limited liability on 5 January 2010, which is wholly owned by Telefield (BVI), an indirect wholly-owned subsidiary of the Company
“Business Day”	a day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of the Company referred to in the paragraph headed “Resolutions in writing of all the Shareholders passed on 31 December 2010” in Appendix VI to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“CDL (HK)”	Circuit Development Limited, a company incorporated in Hong Kong with limited liability on 7 September 1993, which is wholly owned by Telefield (HK), an indirect wholly-owned subsidiary of the Company
“Century Win”	Century Win Industrial Limited (紀宏實業有限公司), a company incorporated in Hong Kong with limited liability on 22 May 1987, which is owned as to approximately 53.68% by Mr. Cheng and 46.32% by Mrs. Cheng and one of the Controlling Shareholders

"China Merchants Securities" or "Sole Bookrunner" or "Sponsor"	China Merchants Securities (HK) Co., Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined under the SFO), being the sole bookrunner, sponsor and one of the Joint Lead Managers for the Share Offer and an Independent Third Party
"Companies Law"	the Companies Law (2010 Revision) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company"	Telefield International (Holdings) Limited (中慧國際控股有限公司), an exempted company incorporated in the Cayman Islands on 18 May 2010 under the Companies Law with limited liability
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and, in the context of this prospectus, means Dragon Fortune, Telefield Charitable Fund, Century Win, Mr. Cheng and Mrs. Cheng or, where the context so requires, any of them
"Director(s)"	director(s) of the Company
"Dragon Fortune"	Dragon Fortune International Limited (龍豐國際有限公司), a company incorporated in Hong Kong with limited liability on 5 September 1997, which is owned as to approximately 52.62% by Century Win, 8.77% by Mr. KB Lee, 8.77% by Mr. KY Ng, 6.58% by Healthy & Tracy, 6.58% by Titanic Horizon, 5.27% by Fame Channel, 3.51% by Mr. Chiu and 3.07% by Ms. Ko, 3.07% by Mr. Tam and 1.76% by Mr. Poon and one of the Controlling Shareholders
"DTZ"	DTZ Debenham Tie Leung Limited, an independent professional property valuer

"Fame Channel"	Fame Channel Investment Limited, a company incorporated in Hong Kong with limited liability on 9 February 1995, which is owned as to 99.99% by Mr. Wong and 0.01% by Ms. Kwan
"Group"	the Company and its subsidiaries or, where the context otherwise requires, in respect of the period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company
"**GREEN** Application Form(s)"	the application form(s) to be completed by the **HK eIPO White Form** Service Provider
"Guangzhou"	Guangzhou municipality, Guangdong province, the PRC
"Guangzhou Telefield"	廣州中慧電子有限公司 (Guangzhou Telefield Limited), a company established in the PRC with limited liability on 27 October 1992 and is wholly owned by Telefield (HK), an indirect wholly-owned subsidiary of the Company
"Healthy & Tracy"	Healthy & Tracy Company Limited, a company incorporated in Hong Kong with limited liability on 8 August 1995, which is owned as to 50% by Mr. Sum and 50% by Ms. Suen
"**HK eIPO White Form**"	the application for the Public Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of **HK eIPO White Form** service provider at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by the Company, as specified on the designated website at **www.hkeipo.hk**
"HKFRS"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China

"Hong Kong Share Registrar"	Tricor Investor Services Limited, the branch share registrar of the Company in Hong Kong
"Huizhou"	Huizhou municipality, Guangdong province, the PRC
"Huizhou Telefield"	惠州中慧電子有限公司 (Huizhou Telefield Limited), a company established in the PRC with limited liability on 27 February 2008 and is wholly owned by SAL (HK), an indirect wholly-owned subsidiary of the Company
"Independent Third Party(ies)"	a person(s) or company(ies) which is/are independent of and not connected with the Company and its connected persons
"iSuppli"	iSuppli Corporation, an industry and market research services provider in the United States and an Independent Third Party
"Joint Lead Managers"	China Merchants Securities and Kingsway
"Kingsway"	Kingsway Financial Services Group Limited, a corporation licensed under the SFO to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities (as defined under the SFO), being one of the Joint Lead Managers for the Share Offer and an Independent Third Party
"Latest Practicable Date"	7 January 2011, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
"Listing"	the listing of the Shares on the Main Board
"Listing Committee"	the listing sub-committee of the board of directors of the Stock Exchange
"Listing Date"	the date on which trading of the Shares on the Main Board first commences, which is currently expected to be on Thursday, 27 January 2011
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock market operated by the Stock Exchange, which excludes Growth Enterprises Market of the Stock Exchange and the options market
"Memorandum"	the memorandum of association of the Company adopted on 31 December 2010
"Metro Creator"	Metro Creator Limited (天捷有限公司), a company incorporated in Hong Kong with limited liability on 4 August 2009, which is wholly owned by Alagona, an indirect wholly-owned subsidiary of the Company
"Miss Cheng"	Miss Cheng Wai See Eunice, the daughter of Mr. Cheng and Mrs. Cheng
"Modern Channel"	Modern Channel Limited (啟協有限公司), a company incorporated in Hong Kong with limited liability on 4 August 2009, which is wholly owned by Telefield (BVI), an indirect wholly-owned subsidiary of the Company
"Mr. Cheng"	Mr. Cheng Han Ngok Steve, the founder of the Group, the Chairman, an executive Director, one of the Controlling Shareholders, the spouse of Mrs. Cheng and the brother-in-law of Mr. Poon
"Mr. Chiu"	Mr. Chiu King Yim Dominic
"Mr. KB Lee"	Mr. Lee Kai Bon, an executive Director
"Mr. KY Ng"	Mr. Ng Kim Yuen, an executive Director
"Mr. Poon"	Mr. Poon Ka Lee Barry, an executive Director and the brother-in-law of Mr. Cheng
"Mr. Sum"	Mr. Sum Kwok Fai
"Mr. Tam"	Mr. Tam Kam Fong
"Mr. Wong"	Mr. Wong Sik Hung
"Mrs. Cheng"	Ms. Ma Mei Han Elitte, the spouse of Mr. Cheng and one of the Controlling Shareholders
"Ms. Fok"	Ms. Fok Pui Yin, an executive Director
"Ms. Ko"	Ms. Ko Mee Ling

"Ms. Kwan"	Ms. Kwan Wai Yee, the spouse of Mr. Wong
"Ms. Suen"	Ms. Suen Lai Hung, the spouse of Mr. Sum
"North America"	Canada and the United States
"NPD"	NPD Intelect, LLC, an industry and market research services provider in the United States and an Independent Third Party
"Offer Price"	the final price for each Offer Share (excluding brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) at which the Offer Shares are to be offered for subscription pursuant to the Share Offer
"Offer Shares"	the Public Offer Shares and the Placing Shares
"Over-allotment Option"	the option expected to be granted by the Company to China Merchants Securities, at any time within a period commencing from the Listing Date and ending on the 30th day after the last date for lodging of applications under the Public Offer, to require the Company to allot and issue the Over-allotment Shares at the Offer Price to cover over-allocations in the Placing and/or to satisfy the obligation of China Merchants Securities to return securities borrowed under the Stock Borrowing Agreement subject to the terms of the Placing Underwriting Agreement
"Over-allotment Shares"	up to an aggregate of 15,000,000 new Shares to be issued pursuant to the exercise of the Over-allotment Option, representing 15% of the number of Shares initially available under the Share Offer
"PBOC"	中國人民銀行 (the People's Bank of China), the central bank of the PRC
"Placing"	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of the Company for cash at the Offer Price with professional, institutional and individual investors as described in the section headed "Structure of the Share Offer" in this prospectus

"Placing Shares"	the 90,000,000 new Shares initially offered for subscription under the Placing subject to Over-allotment Option and re-allocation as described in the section headed "Structure of the Share Offer" in this prospectus
"Placing Underwriters"	the underwriters listed in the section headed "Underwriting – Placing Underwriters" in this prospectus, being the underwriters of the Placing
"Placing Underwriting Agreement"	the conditional placing underwriting agreement relating to the Placing which is expected to be entered into on or about the Price Determination Date among the Company, Mr. Cheng, Mrs. Cheng, Century Win, Dragon Fortune, the executive Directors, the Joint Lead Managers and the Placing Underwriters
"PRC" or "China"	the People's Republic of China which, for the purpose of this prospectus only, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"PRC Enterprise Income Tax Law"	《中華人民共和國企業所得税法》(the Enterprise Income Tax Law of the PRC) and《中華人民共和國企業所得税法實施條例》(the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC), which took effect on 1 January 2008
"PRC government"	the government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
"PRC Legal Advisers"	King & Wood PRC Lawyers, legal advisers to the Company as to PRC law
"Price Determination Agreement"	the agreement to be entered into between the Company and China Merchants Securities (for itself and on behalf of the Underwriters) on or about the Price Determination Date to record and fix the Offer Price

"Price Determination Date"	the date, expected to be on or around Thursday, 20 January 2011, or such later date as China Merchants Securities (for itself and on behalf of the Underwriters) and the Company may agree but in any event no later than 9:00 p.m. (Hong Kong time) on Friday, 21 January 2011, on which the Offer Price will be fixed for the purposes of the Share Offer
"Public Offer"	the conditional offer of the Public Offer Shares by the Company for subscription by members of the public in Hong Kong for cash at the Offer Price, payable in full on application, on and subject to the terms and conditions stated herein and in the related Application Forms
"Public Offer Shares"	the 10,000,000 new Shares initially offered for subscription under the Public Offer, representing 10% of the initial number of Offer Shares, subject to re-allocation as described in the section headed "Structure of the Share Offer" in this prospectus
"Public Offer Underwriters"	the underwriters listed in the section headed "Underwriting – Public Offer Underwriters" in this prospectus, being the underwriters of the Public Offer
"Public Offer Underwriting Agreement"	the conditional public offer underwriting agreement dated 13 January 2011 relating to the Public Offer and entered into among the Company, Mr. Cheng, Mrs. Cheng, Century Win, Dragon Fortune, the executive Directors, the Joint Lead Managers and the Public Offer Underwriters
"RCA Agreements"	the RCA Asset Purchase Agreement and the RCA Licence Agreement
"RCA Asset Purchase Agreement"	the asset purchase agreement entered into among Thomson Inc., TFNA (US) and Telefield (HK) executed on 27 February 2009 but effective for all purposes as at 1 March 2009, with respect to certain assets and liabilities
"RCA Licence Agreement"	the trademark licence agreement entered into among RCA Trademark Management SAS, TFNA (US) and Telefield (HK) executed on 27 February 2009 but effective for all purposes as at 1 March 2009, with respect to the "RCA" brand

"Reorganisation"	the corporate reorganisation of the Group in preparation for the Listing as described under the paragraph headed "Group reorganisation" in Appendix VI to this prospectus
"RSM Consulting"	RSM Nelson Wheeler Consulting Limited, the internal control consultants to the Group, an Independent Third Party and a limited liability company effectively owned by the partners of RSM Nelson Wheeler, the reporting accountants to the Group
"SAFE"	中華人民共和國國家外匯管理局 (State Administration of Foreign Exchange of the PRC)
"SAL (HK)"	Sino Achieve Limited (中禧有限公司), a company incorporated in Hong Kong with limited liability on 9 November 2007, which is wholly owned by Telefield (BVI), an indirect wholly-owned subsidiary of the Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Share Offer"	the Public Offer and the Placing
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on 31 December 2010, a summary of its principal terms of which is set out under the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus
"Shenzhen"	Shenzhen municipality, Guangdong province, the PRC
"Shenzhen Telefield"	廣州中慧電子有限公司深圳分公司 (Guangzhou Telefield Limited Shenzhen Branch), a branch office of Guangzhou Telefield established in the PRC on 15 November 1994

"Space Wisdom"	Space Wisdom Limited (智航有限公司), a company incorporated in BVI with limited liability on 6 January 2010, which is wholly owned by Telefield (BVI), an indirect wholly-owned subsidiary of the Company
"Stock Borrowing Agreement"	the stock borrowing agreement to be entered into between Dragon Fortune and China Merchants Securities, pursuant to which China Merchants Securities may borrow up to an aggregate of 15,000,000 Shares to cover any over-allocation in the Placing
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Companies Ordinance
"substantial shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Szmigiel Family"	Mr. Shimon Szmigiel and his family
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers and Share Repurchases
"Tarez"	Tarez GmbH, a company incorporated in Germany with limited liability on 24 February 2010 which is wholly owned by Ms. Heidi Szmigiel née Raetz, the spouse of Mr. Shimon Szmigiel
"Tavida"	Tavida GmbH, a company incorporated in Germany with limited liability on 24 February 2010 which is wholly owned by Ms. Tanja Szmigiel, the daughter-in-law of Mr. Shimon Szmigiel
"Telefield (BVI)"	Telefield Holdings Limited (formerly known as "Orient Power Telecommunication Limited" and "Big Apple Enterprises Limited"), a company incorporated in BVI with limited liability on 25 September 1997, which is wholly owned by Dragon Fortune before the Reorganisation

"Telefield Charitable Fund"	Telefield Charitable Fund Limited (中慧慈善基金有限公司), a company incorporated in Hong Kong on 20 October 2010 and limited by guarantee and one of the Controlling Shareholders, the members of which are the shareholders of Dragon Fortune and the contribution of each member to the assets of Telefield Charitable Fund shall be prorated according to his/her/its respective effective shareholding interests in Dragon Fortune as at 20 August 2010, i.e. an individual Dragon Fortune shareholder's proportion of contribution in Telefield Charitable Fund shall equal to such Dragon Fortune shareholder's effective shareholding interests in Dragon Fortune divided by the aggregate Dragon Fortune shareholders' effective shareholding interests in Dragon Fortune except for the proportion of contribution by Fame Channel and Healthy & Tracy which shall be borne by Mr. Wong and Mr. Sum, respectively. As such, it will be owned as to approximately 52.62% by Century Win, 8.77% by Mr. KB Lee, 8.77% by Mr. KY Ng, 6.58% by Ms. Fok, 6.58% by Mr. Sum, 5.27% by Mr. Wong, 3.51% by Mr. Chiu, 3.07% by Ms. Ko, 3.07% by Mr. Tam and 1.76% by Mr. Poon
"Telefield (HK)"	Telefield Limited (中慧有限公司) (formerly known as "Telefield Limited"), a company incorporated in Hong Kong with limited liability on 28 April 1989, which is wholly owned by Telefield (BVI), an indirect wholly-owned subsidiary of the Company
"Telefield Medical"	Telefield Medical Devices Limited (中慧醫療器材有限公司), a company incorporated in Hong Kong with limited liability on 25 January 2010, which is wholly owned by Bracciano, an indirect wholly-owned subsidiary of the Company
"Telefield TrekStor"	Telefield TrekStor S.a.r.l., a company incorporated in Luxembourg on 29 October 2009, which is owned as to 51% by Metro Creator, 33% by Tarez and 16% by Tavida
"TFNA (US)"	Telefield NA, Inc., a company incorporated in Oregon, the United States on 26 December 2008, which is wholly owned by TFUL (HK), an indirect wholly-owned subsidiary of the Company

"TFUL (HK)"	Telefield Universal Limited (中慧環球有限公司) (formerly known as "Good Creation International Limited (利創國際有限公司)"), a company incorporated in Hong Kong with limited liability on 2 December 2008, which is wholly owned by Telefield (BVI), an indirect wholly-owned subsidiary of the Company
"Titanic Horizon"	Titanic Horizon Limited, a company incorporated in BVI with limited liability on 1 September 1997, which is wholly owned by Ms. Fok
"Track Record Period"	the period comprising the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010
"TrekStor Transfer Agreement"	a sale and transfer agreement dated 3 November 2009 and entered into among the insolvency administrator for the estate of TrekStor GmbH & Co. KG, TrekStor (HK) and TrekStor (Germany) in relation to the sale and purchase of certain assets and liabilities of TrekStor GmbH & Co. KG (in liquidation) with effect from 2 November 2009
"TrekStor (Germany)"	TrekStor GmbH (formerly known as "Mainsee 646. VV GmbH"), a company incorporated in Germany with limited liability on 9 September 2009, which is wholly owned by Telefield TrekStor, an indirectly owned subsidiary of the Company
"TrekStor (HK)"	TrekStor Limited (formerly known as "Century Joiner Limited (環華有限公司)"), a company incorporated in Hong Kong with limited liability on 8 September 2009, which is owned as to 51% by Alagona, 33% by Tarez and 16% by Tavida
"Underwriters"	the Placing Underwriters and the Public Offer Underwriters
"Underwriting Agreements"	the Placing Underwriting Agreement and the Public Offer Underwriting Agreement
"US" or "United States"	the United States of America
"US Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated under it

"€" or "Euro"	the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty establishing the European Community (signed in Rome on 25 March 1957), as amended by the Treaty on European Union (signed in Maastricht on 7 February 1992)
"HK$" or "HK dollars" and "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"US$" or "U.S. dollars"	United States dollars, the lawful currency of the US
"¥" or "Yen"	Japanese Yen, the lawful currency of Japan
"sq.ft."	square foot/feet
"sq.m."	square metre(s)
"%"	per cent.

Unless otherwise specified, for the purpose of this prospectus and for the purpose of illustration only, Hong Kong dollars amount have been translated using the following rates:

US$1	=	*HK$7.75*
RMB0.8772	=	*HK$1*
€1	=	*HK$9.8829*
¥1,000	=	*HK$91.72*

No representation is made that any amounts in US$, RMB, €, ¥ or HK$ were or could have been converted at the above rates or at any other rates or at all.

For ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both the Chinese and English languages. The English names of these companies and entities are only English translation of their respective official Chinese names. In the event of any inconsistency, the Chinese version shall prevail.

This glossary contains explanations of certain terms used in this prospectus in connection with the Company and its business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.

"ASIC"	application-specific IC
"COB"	acronym for chip on board, a technology that utilises wire bonding to connect large-scale IC directly to PCB
"DAB"	digital audio broadcasting, a digital radio technology for broadcasting radio stations, used in several countries, particularly in Europe
"DLP"	digital light processing, a trademark owned by a US based company which develops and commercialises semiconductor and computer technology, and represents a technology used in some televisions and video projectors
"DVB"	digital video broadcasting
"EMS"	acronym for electronics manufacturing services. EMS companies' product offering is focused on PCBA and complete unit assembly and tests, product design support services, and possibly after market support and supply chain services. EMS is now generally used to substitute ODM and OEM
"FDA registration"	U.S. Food and Drug Administration registration
"GPS"	Global Positioning System which is a US space-based global navigation satellite system
"hardware"	mechanical devices, such as the central processing unit, monitor, modem, printers, disk drives that comprise a computer system and are capable of performing communication, computation and control functions
"IC"	integrated circuit
"ISO"	International Organisation for Standardisation, a non-governmental organisation that develops and publishes international standards

"ISO 13485"	one of the guidelines of ISO which specifies requirements for a quality management system for organisations providing medical devices
"ISO 14001"	one of the guidelines of ISO which is applicable to any organisation that wishes to establish, implement, maintain and improve an environmental management system
"ISO 9001"	one of the management standards and guidelines of ISO which states the requirement for quality management systems and covers the following management principles – customer focus, leadership, involvement of people, process approach, system approach management, continual improvement, factual approach to decision making and mutually beneficial supplier relationship
"MP3"	a patented digital audio encoding format, a standard most commonly used to store digital music and audio files
"ODM"	an original design manufacturer, a business model involving designing as well as building products or components for sale to a client that then retails under the brand name of the client
"OEM"	an original equipment manufacturer, a business model involving the manufacture of products or components that are then incorporated into end-products for rebranding or repackaging
"PCB"	acronym for printed circuit board, a flat board made of non-conductive material, such as plastic or fibreglass, on which chips and other electronic components are mounted, usually in predrilled holes designed to hold them. The component holes are connected electrically by predefined conductive metal pathways that are printed on the surface of the board. The metal leads protruding from the electronic components are soldered to the conductive metal pathways to form a connection
"PCBA"	printed circuit board assembly
"SMB phone system"	small and medium business phone system

"SMT"	acronym for surface mount technology, a process by which electronic components are mounted directly on both sides of a PCB, increasing board capacity, facilitating product miniaturisation and enabling advanced automation of production
"software"	computer program that instructs the operation of computer hardware
"storage"	an electronic memory device
"turnkey basis"	in EMS, means the material procurement and manufacturing of a product are done by the service provider
"USB"	acronym for universal serial bus, a plug-and-play interface between a computer and add-on devices (such as audio players, joysticks, keyboards, telephones, scanners, and printers) which allows a new device to be added to a computer without having to add an adapter card or having to turn the computer off
"VoIP"	Voice over Internet protocol

Potential investors should carefully consider all information set out in this prospectus and, in particular, should consider all the risks and uncertainties described below before making any investment decision in relation to the Company. Particular attention should be paid to the fact that the Company is incorporated in the Cayman Islands and the Group's principal manufacturing operations are conducted in the PRC and are governed by a legal and regulatory environment that in some respects may differ from that in Hong Kong. Any of the risks and uncertainties described below could have a material adverse effect on the Group's business, results of operations, financial position or on the trading price of the Shares, and hence on all or part of the investment in the Company.

RISKS RELATING TO THE BUSINESS OF THE GROUP

The Group faces risks associated with the changes in its business model

The Group is an established EMS provider headquartered in Hong Kong, which offers one-stop solutions to its EMS customers. Leveraging on its technological advantages and customers' network, the Group has been actively pursuing business expansion opportunities by vertical integration. As at the Latest Practicable Date, the Group's branded businesses included distribution of SMB phone systems under the "RCA" brand and assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand. For the year ended 31 December 2009 and the eight months ended 31 August 2010, revenue derived from the Group's branded businesses amounted to approximately HK$140.0 million and HK$220.9 million, respectively, accounting for approximately 17.1% and 32.0% of the Group's total revenue, respectively.

The Group intends to develop and expand its branded businesses through organic growth and acquisitions. Developing and commercialising products under its own brand requires substantial capital commitment. In the event that the Group fails to develop or commercialise its own brands, its financial position may be adversely affected. Also, there is no assurance that the Group will be able to acquire other profitable branded businesses on favourable terms or at all. In the event that the Group fails to develop its own brands or acquire other branded businesses, its financial position and results of operations may be adversely affected. Furthermore, there is also no assurance that its branded businesses will grow or that the Group's future branded businesses will be as profitable as the Directors expect.

The Group's branded businesses have a short track record and the Group may not be able to realise the benefits envisioned for its expansion into the branded businesses

The Group's branded businesses, which commenced in March 2009, have a limited track record upon which you can evaluate the prospects. Under its branded businesses, the Group manufactures and/or sources its licensed brand products and/or its own brand products and distributes them directly to distributors and/or retailers. The Group's licensed brand business comprises distribution of SMB phone systems under the "RCA" brand, whilst the Group's own brand business mainly comprises assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand.

Distribution of SMB phone systems under the "RCA" brand

The Group has been producing SMB phone systems since 2005 and started its SMB phone systems distribution business in North America in March 2009 under a licensing arrangement with an Independent Third Party.

Under the RCA Licence Agreement, RCA Trademark Management SAS granted TFNA (US) an exclusive licence to distribute SMB phone systems in North America under the "RCA" brand from 1 March 2009 to 31 December 2013. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the revenue generated from the distribution business of SMB phone systems under the "RCA" brand accounted for approximately 14.3% and 15.1% of the Group's total revenue, respectively. Further details of the Group's business in distributing SMB phone systems under the "RCA" brand and the RCA Agreements are set out in the paragraph headed "Branded businesses – Licensed brand products distribution business in North America" under the section headed "Business – Business model" in this prospectus. The Group expects to derive an increasing proportion of its revenue through its distribution of SMB phone systems under the "RCA" brand in North America.

RCA Trademark Management SAS has the right to unilaterally terminate the RCA Licence Agreement upon the occurrence of certain events of default, which may or may not be within the Group's control. There is no assurance that the RCA Licence Agreement will be renewed beyond 31 December 2013 or on terms and conditions acceptable to the Group. In the event that the Group fails to renew the RCA Licence Agreement, the Group plans to develop SMB phone systems under other brands for distribution in North America. Such development and commercialisation require substantial capital commitment and there is no assurance that such products may attract sufficient level of market acceptance. If the RCA Licence Agreement is terminated by the licensor, or is not renewed upon its expiration, or is renewed on less favourable terms, there could be material adverse effect on the Group's business, financial position and results of operations.

According to NPD, for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the retail revenue of SMB phone systems in the US amounted to approximately US$129.9 million, US$101.3 million, US$82.4 million and US$51.1 million, respectively, with a decreasing trend of retail revenue. The Directors cannot ensure you whether the Group will be able to increase its market share in this diminishing market by competing with the existing and potential competitors. If the Group cannot successfully compete in the US SMB phone systems market, its business, financial position, results of operations and prospects may be materially and adversely affected.

Assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand

In November 2009, the Group acquired certain assets of TrekStor GmbH & Co. KG (in liquidation) including the "TrekStor" brand. Prior to such acquisition, the Group had no business establishment in Germany and the Group did not have any business dealings with TrekStor GmbH & Co. KG (in liquidation). The Group's own brand business under the "TrekStor" brand recorded a net loss of approximately HK$22.3 million during the eight months ended 31 August 2010. The loss was mainly attributable to (i) sales picked up slowly when the Group was re-establishing the business relationship with the customers of TrekStor GmbH & Co. KG (in liquidation) while the Group was obliged to continue to pay for overhead costs such as staff costs and rent; and (ii) the Group was taking steps to resume new product development to introduce new products to the market.

The Group's branded businesses are new and have a short track record. The Group had neither marketed nor distributed any products under the "RCA" brand or the "TrekStor" brand until March 2009 and November 2009, respectively. As such, it is difficult to identify the difficulties that the Group may encounter in different stages of developing and implementing its branded business model. In particular, the Group's ability to successfully integrate the newly developed branded businesses and realise the benefits therein requires, among other things, successful integration of technologies, operations and personnel in a timely and efficient manner. The Group may also face difficulties and challenges in expanding its branded businesses into new geographical markets and establishing customer relationships due to its lack of familiarity with the new business model, the new geographical markets and the operational risks and challenges associated therewith. The Group cannot assure you that the growth since the commencement of its branded businesses in March 2009 will be sustainable or achieved at all in the future. In the event that the Group is not able to successfully integrate the branded businesses and address the risks, difficulties and challenges associated therewith, its business, financial position, results of operations and prospects may be materially and adversely affected.

The Group's revenue is subject to seasonal fluctuations

The Group's revenue may be affected by seasonality and a number of other factors. The Group's results of operations varied from season to season in the past and are likely to continue to fluctuate in the future. For the three years ended 31 December 2007, 2008 and 2009, the average revenue of the Group for each of the second half year was approximately 39.2% higher than the revenue for each of the first half year. Please refer to the section headed "Financial Information – Seasonality factors" in this prospectus for further details. Such seasonality is primarily attributable to the traditional peak seasons in sales in the consumer electronics market in the second half of the year in North America and Europe. Accordingly, any comparison of the Group's results of operations between interim and annual results in a financial year is not necessarily meaningful. As a result, the Group's interim results should not be referred to as an indicator of the Group's performance for that financial year.

The Group's business relies to a large extent on the relationships with its major customers

The Group does not generally have any long-term contracts with its customers and therefore there is no assurance that any of the Group's customers will continue to place purchase orders with the Group in the future. Hence, the maintenance of close and long-standing relationships with its major customers is important to the business of the Group. There can be no assurance that the Group will continue to retain these customers or that these customers will maintain or increase their current level of business activities with the Group. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, sales to the Group's five largest customers accounted for approximately 84.4%, 77.7%, 68.6% and 70.3% of its total revenue, respectively, and sales to the Group's single largest customer accounted for approximately 28.7%, 25.6%, 28.7% and 33.1% of its total revenue, respectively. In addition, the Group derives a substantial portion of its revenue under the branded businesses from a small number of customers. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the five largest customers of the Group's branded businesses accounted for approximately 97.4% and 86.4% of its total revenue under the branded businesses, respectively. During the same period, the five largest customers of the Group's branded businesses accounted for approximately 16.6% and 27.7% of its total revenue, respectively. The results of operations and financial position for the branded businesses will continue to depend on the Group's ability to continue to secure orders from these major customers as well as the financial position and success of these major customers.

There is no guarantee that these major customers, including the five largest customers of the Group's branded businesses, will continue to place orders with the Group, or that, if continued, future orders will be at a comparable level or on similar terms as in prior periods. There is no assurance that the Group could successfully secure replacement customers or new customers. In the event that there is material delay, reduction or cancellation of orders or a termination of relationship with any of these major customers or there is any imposition of significant restriction on the pricing terms for these major customers, the Group's business, financial position and results of operations could be materially and adversely affected.

The Group may not be able to adapt to its customers' varying requirements, and failure to adapt to such requirements may result in loss of customers and business

The consumer electronics market is subject to fast changing market demand. Technological breakthrough on certain consumer electronic products may enhance their production with higher quality and lower production costs. Customers may request the Group to develop new products and/or modify existing products in order to adapt to the customers' varying requirements. This will create a heavy burden on the Group's research and development teams and its management. There is no assurance that the development of new products and/or modification of the existing products by the Group would be successful and well received by its customers. If the Group fails to adapt to its customers' varying requirements in the future, its business, financial position and results of operations may be materially and adversely affected.

The Group has experienced significant growth in the past, it may not be able to maintain such growth in the future

During the Track Record Period, the Group had expanded its production capacity and customer base, as well as its product range and geographical coverage. It has also developed the branded businesses. The Group expects to continue expanding its operations and developing new market segments. During the Track Record Period, the Group had significantly increased the scope of its operations and its revenue increased from approximately HK$564.1 million for the year ended 31 December 2007 to approximately HK$821.9 million for the year ended 31 December 2009, representing a CAGR of approximately 20.7%. The profit attributable to owners of the Company for the year ended 31 December 2009 was approximately HK$76.2 million and the unaudited estimated combined profit attributable to owners of the Company for the year ended 31 December 2010 will not be less than HK$67.6 million. The expansion of the Group's business has, and will continue to, put pressure on its managerial, technical, financial, production, operational and other resources and requires the Group to increase its production capacity, product expertise and areas of operations. The Group may also need to enhance its financial and quality controls, recruit and train additional staff, especially in research and development and production line operations, in order to keep pace with its growth. The Group may need to offer better remuneration packages to its employees in order to retain its existing key management personnel and attract high quality and well experienced personnel.

The Group's strategy to expand into the global markets subjects it to the risk of business or market disruptions which may result in delays and/or increased costs in production or delivery. There is no assurance that the Group will be able to manage its future expansion effectively. If the Group is unable to effectively manage its expanding operations and controls over increasing labour costs, its profitability may be adversely affected. Future expansion may also result in production problems due to capacity constraints, construction delays, or difficulties in upgrading or expanding production facilities.

The Company is a holding company and, therefore, the Company's ability to pay dividends or make any other distributions depends entirely on distributions received from its subsidiaries

The Company is a holding company, its results of operations and financial position are entirely dependent on the performance of the members of the Group. The Company's ability to pay dividends will depend on the level of distributions, if any, received from its subsidiaries. The ability of the Company's subsidiaries to make distributions to the Company may, from time to time, be restricted as a result of several factors, including foreign exchange limitations, the requirements of applicable laws, and regulatory, fiscal or other restrictions of the countries in which the Group has operations. The Group's subsidiaries declared HK$10.0 million, HK$19.0 million, HK$33.5 million and HK$33.8 million dividends to their then shareholders for profit generated during the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The principal source of funding for such dividend payments was from the cash inflow generated from the Group's operations. The Group made payment of dividends based on the business and financial results of the Group's subsidiaries as well as interests of their then shareholders. There is no assurance that dividends of similar amounts or at similar rates will be made in the future and the past dividends referred to above should not be used as a reference to the Company's dividend policy, nor as a basis to forecast the amount of dividends payable in the future. Furthermore, the Company's rights to participate in a distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency is generally subject to prior claims of the subsidiaries' creditors.

The Group may be adversely affected by product liability claims

The Group faces an inherent risk of exposure to product liability claims in the event that its products fail to perform to the specifications, or are alleged to have caused damage to property of others, bodily injury or death. There is no assurance that the Group will not face any product liability claims or that it will maintain sufficient insurance coverage in the future. If a product liability claim brought against the Group is in excess of available insurance coverage or there is a requirement for any product recall, the Group may face material adverse effects on its financial position and results of operations.

The Group's success relies to a large extent on its intellectual property rights, and failure to protect such intellectual property rights may affect its ability to compete

The Group regards its copyrights, trademarks, trade secrets and other intellectual property rights as its important assets. As at the Latest Practicable Date, the Group registered 11 trademarks in Hong Kong and various other countries. Pursuant to the TrekStor Transfer Agreement, certain "TrekStor" related trademarks (i.e. those trademarks as set out in the paragraph headed "Intellectual Property Right of the Group" in Appendix VI to this prospectus) applied onto products distributed under the "TrekStor" brand will be assigned to TrekStor (HK) upon satisfaction of certain conditions under the TrekStor Transfer Agreement. These conditions have already been fulfilled and all "TrekStor" related trademarks that are material to the Group's business have been assigned to the Group. As the remaining trademarks under the TrekStor Transfer Agreement are immaterial to the Group, the non-assignment of the remaining trademarks would not affect the business and daily operations of the Group. As at the Latest Practicable Date, two of the "TrekStor" related trademarks are registered under TrekStor (HK)'s name. Steps have been taken by the Group to complete the registration of other "TrekStor" related trademarks which are material to the Group's business in various countries. Please refer to the section headed "Business – Intellectual property rights" in this prospectus for further information. Given that the registration of these "TrekStor" related trademarks are yet to be approved by the relevant government authorities, there can be no assurance that there will not be any claims, disputes or litigation made or threatened to be made against the Group in the future for these trademark registrations.

The Group relies on a combination of copyrights, trademarks and trade secret laws, as well as confidentiality agreements with employees and customers to protect its intellectual property rights. If there is any breach of the confidentiality agreement, the Group's trade secrets may become known to its competitors. Although the Group had not experienced any infringement of its intellectual property rights by third parties during the Track Record Period, the Group cannot assure you that the steps it has taken or will take to protect its intellectual property rights will adequately protect its proprietary rights or that others will not independently develop or otherwise acquire equivalent or superior technology or that it can maintain such technology as trade secrets. The Group's failure to protect its intellectual property rights could have an adverse effect on its business, results of operations and financial position.

The Group's reliance on key management and personnel

The Directors believe that future success of the Group depends upon the continued service of its senior management. Most of the executive Directors have been with the Group since the commencement of the Group's business and most of them have been shareholders of the Group's subsidiaries since 1992. Each of the following executive Directors, namely, Mr. Cheng, Mr. KY Ng, Ms. Fok and Mr. KB Lee, as well as most of the members of the senior management, possess more than 20 years of experience in the EMS and/or branded business industry. Their experiences have contributed to the success of the Group's business. If the Group loses the services of any of these key personnel and the Group is unable to find suitable replacement, its results of operations and future development may be adversely affected.

The Group relies on its suppliers to supply quality raw materials and components

The Group's production operations depend on obtaining quality raw materials and components on a timely basis at competitive prices. It places a strong emphasis on quality assurance and has adopted stringent quality control procedures during the production process. In order to ensure that the raw materials and components procured are of the requisite standard, the Group maintains an approved vendor list for each of its principal raw materials and components and reviews the list periodically. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, purchases from the Group's five largest suppliers accounted for approximately 29.2%, 23.1%, 22.3% and 25.4% of its total purchases, respectively. During the same period, purchases from the Group's single largest supplier accounted for approximately 12.6%, 6.7%, 6.9% and 10.1% of its total purchases, respectively. In the Group's EMS production process, in order to maintain its inventory of raw materials and components at a minimum level, the Group typically procures raw materials and components upon receipt of purchase orders from its customers. In the event that any of its suppliers on the approved vendor list ceases to supply the raw materials or components or there is a shortage of supply by such supplier, the Group may not be able to procure the relevant raw materials and components from an alternative quality supplier in a timely manner and at competitive prices or at all. As such, the Group may not be able to fulfil its obligations to its customers in an efficient and timely manner and its reputation, business and results of operations may be adversely affected.

Machinery is subject to breakdown and depreciation and the Group may not be able to find replacements

The Group's operations are heavily dependent on the use of machineries, which are specialised and necessary for its production. Machinery will succumb to breakdown and depreciation. There is no assurance that the Group will not require periodic machinery replacement or that replacements will be readily available. The Group may also require maintenance services of its machineries from external vendors which may or may not provide timely maintenance services. Under such circumstances, the Group's financial resources will need to be employed or diverted to the servicing and replacement of machinery, and its business, financial position and results of operations may be materially and adversely affected.

The Group may encounter difficulties in entering into new markets and implementing its expansion plans

Leveraging on its established EMS business, the Group has been vertically expanding its business operations by engaging in the branded businesses. As at the Latest Practicable Date, the Group's branded products include SMB phone systems under the "RCA" brand and portable storage devices and multimedia products under the "TrekStor" brand. The Group intends to widen the scope and markets of its branded products by organic growth or through acquisitions.

The successful implementation of such plans may be influenced by various factors, including the availability of sufficient resources such as funding and manpower, the identification of suitable and marketable products, the technological knowledge and skills, the ability and willingness of its suppliers to supply on a timely basis at competitive prices. These essential factors are beyond the Group's control.

The Group may not be able to achieve its planned expansion, or to effectively integrate any production of new products into its existing production facilities. In particular, such newly introduced products may not achieve its desired sales or profitability levels, whilst entering into new geographical markets could present challenges different from those the Group currently or previously faced within its existing geographical markets.

Fluctuations in foreign exchange rates may adversely affect the Group's business

The Group may be exposed to foreign exchange risk as a result of the mismatch between the currencies used in its sales, purchases and operating expenses. Whilst the Group settles its purchases mainly in HK dollars, Renminbi or U.S. dollars, its customers generally settle their payments in Euro or U.S. dollars. Most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars, U.S. dollars, RMB and Euro. Changes in the relevant exchange rates between these currencies may affect the Group's gross and net profit margins and could result in foreign exchange and operating losses. Since the Group commenced its US operations and German operations in 2009, the Group may be subject to more severe foreign exchange risk as the US and European economies have been subject to volatile fluctuations in recent years which may have an adverse effect on U.S. dollars and Euro.

The Group cannot predict the impact of future foreign exchange rate fluctuations on its financial position or results of operations. The Group has adopted foreign currency hedging policies in respect of foreign currency transactions, assets and liabilities. However, there can be no assurance that such foreign currency hedging policies will be able to adequately hedge all of the Group's exposure to foreign exchange risks. If the foreign currency hedging policies adopted by the Group is not successful, the Group's business and results of operations may be materially and adversely affected.

The Group's results may be adversely affected by the global economic downturn and adverse credit and market conditions

The global financial crisis which commenced in late 2008 caused substantial volatility in the capital markets and a downturn in the global consumer electronic products industry. Demand for consumer electronic products and other products may decrease if the level of global consumption is affected by these changing market conditions, which would adversely impact the cash flow generated from the Group's operations. In addition, some of the international brand owners of consumer electronic products may also be adversely impacted with declines in profits and production output. Furthermore, the availability of credit to entities is significantly influenced by levels of investor confidence in the financial markets as a whole and any factors that may impact market confidence could affect the costs or availability of funding for entities within these markets. These challenging market conditions have resulted in reduced liquidity, lack of price transparency in credit markets, a reduction in available financing and a tightening of credit terms. If this economic downturn continues or there are prolonged disruptions to the credit markets, this could limit the Group's ability to borrow funds from its current or other funding sources or cause the continued access to funds to become more expensive, and the Group's business may be exposed to a downturn in sales that might be caused by such tightening of credit conditions, and its results of operations, financial position and prospects may be materially and adversely affected.

Title defects of the Group's leased properties

The Group entered into lease agreements with several lessors who are all Independent Third Parties for its production facilities in Guangzhou, which mainly comprise four blocks of buildings with a gross floor area of approximately 29,870.3 sq.m. (the "**Guangzhou Land**"). The landlords of the Guangzhou Land possess the Houses Site(s) Certificates (宅基地使用証) for the Guangzhou Land.

As advised by the PRC Legal Advisers, houses sites (宅基地) are only permitted for residential uses by villagers in rural areas, as such, the current use of the Guangzhou Land does not comply with the applicable laws and regulations in the PRC, and the Group may be required to relocate its production facilities on the Guangzhou Land. In addition, the Group has occupied several temporary structures on the Guangzhou Land which do not have relevant planning permits, construction permits and building ownership certificates. Thus, the local competent authority may impose monetary penalties and require the Group to demolish the said temporary structures. Further details of the Guangzhou Land are set out in the section headed "Business – Property interests" in this prospectus. For each of the three years ended 31 December 2007, 2008 and 2009, the products manufactured at the production facilities located on the Guangzhou Land contributed no less than 90% of the total revenue for each of the respective year while for the eight months ended 31 August 2010, the products manufactured at the production facilities located on the Guangzhou Land contributed no less than 70% of the total revenue for the respective period. In the event that the Group is required to relocate and/or demolish its production facilities and/or temporary structures on the Guangzhou Land, there is no assurance that it may be able to find an alternative location at acceptable terms. Furthermore, the Group's production may be interrupted due to such relocation and/or demolition. As such, the Group's business operations and financial results may be adversely affected.

The Group's non-compliance with certain social security insurance and housing provident fund contributions laws and regulations in the PRC could lead to the imposition of fines and penalties

During the Track Record Period, certain PRC entities of the Group had not paid certain past social security insurance premiums and housing provident fund contributions for themselves and on behalf of their employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC, as well as different levels of acceptance of the social security system by their employees. As at 31 August 2010, the Group had made full provisions of approximately HK$38.5 million in respect of the overdue social security insurance premiums and housing provident fund contributions for all of its eligible permanent staff during the Track Record Period. Please refer to the paragraph headed "Social security insurance and housing provident fund contributions" under the section headed "Business – Regulatory compliance" in this prospectus for further details.

As advised by the PRC Legal Advisers, the Group may be ordered to pay such outstanding social security insurance premiums and/or housing provident fund contributions within a prescribed time limit by the relevant PRC authorities. According to《住房公積金管理條例》(the Regulations on Management of Housing Provident Fund), if the Group fails to rectify the non-compliance within the prescribed time limit as ordered by the relevant PRC authorities, a fine in an amount between RMB10,000 and RMB50,000 may be imposed on the Group. In addition, pursuant to《社會保險費征繳暫行條例》(the Interim Regulation on the Collection and Payment of Social Security Insurance Premiums), if the Group fails to rectify the non-compliance within the prescribed time limit as ordered by the relevant PRC authorities, the relevant PRC authorities may impose a belated payment (滯納金) at the daily rate of 0.2% of the overdue social security insurance premiums for any delay in payment from the date when the relevant contributions become due and payable until the actual payment date. Any judgment or decision against the Group in respect of the outstanding social security insurance and/or housing provident fund contributions could have an adverse effect on the Group's reputation, cash flow and results of operations.

Inventory obsolescence may affect the Group's profitability and financial results

Whilst inventory levels for the Group's EMS business were kept at not more than two months on average, the Group usually keeps less than three months' inventory including goods in transit to cater to the changing demand for the products for its branded businesses. As the Group aims at further expanding its branded businesses, the Directors expect that there may be an increasing trend of inventory level. Provision will be made for inventories, which are considered obsolete after taking into account the aging of the inventory items, the movements and usefulness or residual value of the inventories. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group made net provisions for inventory obsolescence for approximately HK$0.3 million, HK$0.9 million, nil and nil, respectively. There is no assurance that the Group will be able to accurately ascertain the market demand for its products, and that the inventory will be sold as expected. In the event that the inventory become obsolete, provisions need to be made, and the Group's profitability and financial results may be adversely affected.

Increase in net sales return may affect the Group's profitability and financial results

The Group usually provides a two-year warranty to customers of its branded products. Prior to the commencement of the branded businesses, only SMB phones produced and supplied to one of the Group's customers was subject to the "Return to Vendors" programme. Since the commencement of the branded businesses, similar "Return to Vendors" programme are in place for the Group's branded businesses in North America. It is the Group's policy to make product warranty provision for products that are subject to the "Return to Vendors" programme. Pursuant to a supply agreement entered into between the Group and one of its major customers based in the US, such customer could return any products to the Group without provision of reasons under the "Return to Vendors" programme. For the year ended 31 December 2008, in light of the potential financial impact on the US economy arising from the subprime mortgage crisis, the Group made a general product warranty provision of approximately HK$5.0 million to cater to the possible increase in sales returns from such customer which was based in the US. In addition, a specific product warranty provision of approximately HK$4.9 million was made for the year ended 31 December 2008 for the estimated value of sales return from one of the Group's major customers due to design defect made by the Group. The approximately HK$4.9 million specific warranty provision had covered all the relevant costs in relation to the sales return of the relevant products. The design defect of this product was caused by the change of design requirement which resulted in its intermittent operation failure which was not detected during manufacturing and inspection stages. The Group worked closely with the customer to eliminate such design defect. The goods were repaired and received by the customer with satisfaction subsequently. Due to prompt and responsible actions taken by the Group, there were no adverse effect on the business relationship with such customer. However, there is no assurance that similar intermittent operation failure will not happen in the future and there will be no material sales return from the Group's customers arising from other reasons in the future. With the commencement of branded businesses, additional product warranty provision of approximately HK$6.9 million and HK$4.2 million were made by the Group for its licensed brand business and own brand business, respectively, for the year ended 31 December 2009. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group incurred approximately HK$9.0 million, HK$15.4 million, HK$18.0 million and HK$13.9 million for net sales return arising from product warranty, representing approximately 1.6%, 1.8%, 2.2% and 2.0% of its revenue, respectively. It is one of the Group's business strategies to further develop and expand its branded businesses in the future. Please refer to the section headed "Business – Business strategies" in this prospectus for further details of the Group's business strategies. As such, the product warranty provision and the net sales return may increase following the Group's expansion in the branded businesses. The Group's profitability and results of operations may be adversely affected by the increasing product warranty provision and net sales return.

The Group may be affected by labour disruptions and rising labour costs

As at the Latest Practicable Date, the Group had approximately 2,400 full-time employees working in its production sites in Guangzhou and Huizhou. Labour disruptions of any form or scale may have a negative impact on the Group's operations and any material increase in labour costs in the PRC may, if the same cannot be passed onto its customers, adversely affect the Group's profits. For risks relating to changes in labour laws in the PRC, please refer to the paragraph headed "Cost of compliance with the PRC Labour Contract Law and other increases in labour costs may adversely affect the Group's competitive advantage and profits" under the sub-section headed "Risks relating to the PRC" in this section.

The Group may be subject to acts of God, acts of war and epidemics or pandemics which are beyond its control and which may cause damage, loss or disruption to its business

The Group's business is subject to general economic and social conditions globally. Natural disasters, epidemics or pandemics and other acts of God which are beyond its control may affect the economy, infrastructure and livelihood of the people globally. In April 2009, H1N1 swine influenza broke out in Mexico and spread globally, resulting in the loss of lives and widespread fear. The Group's business, results of operations and financial position may be adversely affected in a material respect if such natural disasters occur. Certain areas of China, including the Guangdong province, are susceptible to epidemics, such as SARS or swine or avian influenza. A recurrence of SARS, an outbreak of swine or avian influenza, or any epidemic, in the Guangdong province or other areas of China, could result in material disruptions to the Group's operations or a slowdown in China's economy, which could materially and adversely affect its business, financial position and results of operations. Acts of war and terrorism may also injure the Group's employees, cause loss of lives, damage its facility, disrupt its distribution channels and destroy its markets, any of which could materially impact the sales, costs, overall financial position and results of operations of the Group. The potential for war or terrorist attacks may also cause uncertainty and cause the Group's business to suffer in ways that it cannot predict. The Group's business, financial position and results of operations may be materially and adversely affected as a result.

The Group is subject to certain restrictive covenants and certain risks normally associated with debt financing which may limit or otherwise adversely affect its operations

The Group is subject to certain restrictive covenants in loan agreements between itself and certain banks which may restrict or otherwise adversely affect the Group's operations, such as its ability to incur additional indebtedness or make distributions to its Shareholders. Failure by the Group to meet any payment obligation or to comply with these restrictive covenants or any financial ratio contained therein or violation of any restrictive covenant may constitute an event of default under the loan agreements. If an event of default occurs under the loan agreements, the lenders will be entitled to accelerate payment of all or any part of the indebtedness owing under the loan agreements. During the Track Record Period, the Group failed to maintain the required net leverage ratio and consolidated tangible net worth pursuant to one of the banking facilities. Please refer to the section headed "Business – Corporate governance matters" in this prospectus for further details. There is no assurance that the Group will be able to adhere to all of the loan covenants in the future. If any of the events of default under any loan agreements were to occur, the Group's financial position, results of operations, cash flow and cash available for distributions to the Shareholders may be materially and adversely affected.

RISKS RELATING TO THE INDUSTRY

The Group's results of operations may be adversely affected by environmental and safety regulations to which the Group is subject to

The Group is required to comply with the environmental and safety laws and regulations in the PRC as well as international environmental and safety regulations and standards applicable to its customers and products. There is no assurance that the Group can at all times be in complete compliance with such laws, regulations, approvals and permits. If the Group violates or fails to comply with the requirements, it could be fined or otherwise sanctioned by the regulators. In some instances, such a fine or sanction could be material. In addition, these requirements may become more stringent over time and there can be no assurance that the Group will not incur additional material environmental costs or liabilities in the future.

The Group's failure to compete effectively in the design of its products could result in loss of customers, which could have an adverse effect on the Group's results of operations

The Group researches, develops, designs and produces its products pursuant to customers' demand. The Group competes with a number of domestic and foreign companies in the industry, some of which have substantially greater production, financial, research and development, and marketing capabilities than the Group and some of which may have more cost efficient structures than the Group as a result of their geographical locations or the services they provide. The competitive pressures faced by the Group come principally from the following:

- the Group's existing competitors, which continually seek to improve on the performance of their current products, reduce their current product sales prices and introduce new products that may offer better functions and competitive pricing;

- the Group's current and prospective EMS customers, which continually evaluate the merits of producing the products internally or by other EMS providers; and

- distribution companies and others that may seek to enter into the EMS industry.

The Group's gross profit margin is influenced by changes in the average selling prices of its products, its product sales mix and its cost of sales. The average selling prices of the Group's products are subject to downward pressure due to the highly competitive industry in which it operates. Competition could cause the Group to experience downward pressure on prices, fewer customer orders, reduced profit margins, an inability to take advantage of new business opportunities and a loss in the market share.

If the Group fails to keep pace with technological changes, its business, financial position and results of operations may be adversely affected

Changes in technologies may render certain of the Group's machineries and products obsolete. The Group's ability to anticipate changes in technology and to develop and introduce new and enhanced products successfully on a timely basis is crucial to its ability to grow and to remain competitive. There is no assurance that the Group will be able to achieve the technological advances that may be necessary for it to remain competitive or that certain of its machineries and products will not become obsolete. The Group is also subject to the risks generally associated with new product introductions and applications, including delays in new product development. The Group cannot provide assurance that it will be able to continue to successfully develop new products through its research and development efforts or that it will be able to keep pace with technological changes in the market.

The Group may face liabilities for infringement of intellectual property rights of third parties

During the Track Record Period, the Group used unlicensed computer software products purchased from Independent Third Parties in the course of its operations in the PRC. Please refer to the section headed "Business – Intellectual property rights" in this prospectus for further details. There is no assurance that the Group will not be subject to any claim or prosecution for the use of such unlicensed computer software products in the future.

In addition, it is possible that the Group may inadvertently infringe the intellectual property rights of others and face liabilities for such infringements in the course of carrying on its business or that third parties may initiate litigation against the Group claiming infringement of third party intellectual property rights. It is difficult to predict how such disputes would be resolved. The defence and prosecution of intellectual property rights are costly and will divert the attention of the Group's management from the normal operations of the Group's business. The Group's reputation and financial results may be adversely affected should there be any future legal proceedings against it for infringement of intellectual property rights of third parties. The Group may not prevail in any such legal proceedings. Any adverse decision with respect to any legal proceedings against the Group, resulting in a finding of infringement by the Group, whether or not advertent, may result in the imposition of monetary penalties on the Group or requirements to cease or modify the alleged infringing activity. Furthermore, the Group may also be required to pay damages to the relevant third parties.

The Group's business operations depend on the outsourcing of manufacturing operations by international brand owners of consumer electronic products

The Group has been growing and expanding since its establishment by capturing the business opportunities available under the trend of outsourcing of manufacturing operations by international brand owners of consumer electronic products. The Directors expect that the Group will further grow and expand its business by relying on such trend. However, there is no assurance that such outsourcing trend will continue. Furthermore, in the event that such international brand owners change their business strategies, the Group may not be able to respond to such changes and its results of operations may be materially and adversely affected.

RISKS RELATING TO THE PRC

Political and economic policies of the PRC government could affect the Group's business

With the commencement of the PRC government's efforts to reform the Chinese economic system in the late 1970s, the PRC government has placed increasing emphasis on the utilisation of market forces to develop the PRC economy. Over the last three decades, the PRC government's reform measures have resulted in the PRC economy experiencing significant growth and social progress. However, many of the reforms are unprecedented or experimental and are expected to be refined and modified from time to time. Any revision or modification to the economic and political strategies and policies of the PRC government could have a material adverse effect on the overall development of the EMS products in the PRC. With most of the Group's production facilities located in China, the Group's operations and financial results could be adversely affected by any stagnation in the development of this market in the PRC. The Group may not in all cases be able to capitalise on economic reform measures adopted by the PRC government. The Group cannot ensure you that the PRC government will not impose economic and regulatory controls that may adversely affect the Group's business, financial position and results of operations.

Any changes in the PRC government policies regarding foreign investments in the PRC may adversely affect the Group's business, financial position and results of operations

Foreign investments are subject to foreign investment policies and laws of the PRC. Under 《外商投資產業指導目錄》(the Catalogue for the Guidance of Foreign Investment Industries) which came into effect on 1 December 2007, the Group's EMS and branded businesses do not fall under the prohibited or the restricted categories for foreign investments. There is no assurance that the Group's business would not fall under such prohibited or restricted categories subsequent to any change to the foreign investment policies and laws of the PRC or that the Group could not be subject to more stringent restrictions on its operation and business, which may adversely affect its financial position and results of operations.

Distribution and transfer of funds may be subject to restrictions under the PRC law

The Company is a holding company incorporated in the Cayman Islands and does not have any business operations other than investments in its subsidiaries. The Company relies entirely on the dividend payments from its subsidiaries, especially its principal operating subsidiaries in the PRC. Under the PRC laws, dividends from its subsidiaries in the PRC may only be paid out of net profit calculated according to PRC accounting principles, which are different in many respects from the HKFRS, and after recovery of accumulated losses and allocations to statutory reserves which are not available for distribution as cash dividends. Distributions by the Company's subsidiaries in the PRC to the Company may be subject to governmental approval and taxation. These requirements and restrictions may affect the ability of the Company's PRC subsidiaries in the distribution and payment of dividends and in turn affect the Company's ability to pay dividends to its Shareholders. Any transfer of funds from the Company to its subsidiaries in the PRC, either as a shareholder loan or as an increase in registered capital, is subject to registration with and approval granted by PRC governmental authorities, including the relevant administration of foreign exchange and/or the relevant examining and approval authority. These limitations on the free flow of funds between the Company and its PRC subsidiaries could restrict the Company's ability to act in response to changing market conditions in a timely manner. Furthermore, members of the Group may obtain credit facilities from banks in the future which restrict them from paying dividends to their Shareholders, which may have an adverse impact on their ability to pay dividends to their Shareholders.

Government control of currency conversion and changes in the exchange rate between RMB and other currencies could adversely affect the Group's financial condition, operations and its ability to pay dividends

RMB is not currently a freely convertible currency and the Group needs to convert RMB into foreign currencies for payment of dividends, if any, to holders of the Shares. Under the current foreign exchange regulations in China, the Company's PRC subsidiaries will be permitted, to effect foreign exchange for current account transactions (including the distribution of dividends) through accounts permitted by the PRC government. Under the existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade related transactions, may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE or its local branch is required where RMB is to be converted into foreign currency and remitted out of China for capital-account transactions, such as the repatriation of equity investment in China and the repayment of the principal loans denominated in foreign currencies. There can be no assurance that the PRC government will not in the future impose restrictions on foreign exchange transactions for current-account items, including the payment of dividends.

The exchange rate of RMB against U.S. dollars and other foreign currencies fluctuates and is affected by, among other things, the policies of the PRC government and changes in the PRC's and international political and economic conditions. Since 1994, the conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC, which are set daily based on the previous business day's interbank foreign exchange market rates and current exchange rates on the world financial markets. From 1994 to 20 July 2005, the official exchange rate for the conversion of RMB to U.S. dollars was generally stable. On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of RMB to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. On the same day, the value of RMB appreciated by approximately 2% against U.S. dollars. The PRC government has since made, and in the future may make, further adjustments to the exchange rate system.

There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which, together with domestic policy considerations, could result in a further and more significant appreciation of RMB against U.S. dollars, Hong Kong dollars or other foreign currencies. If the appreciation of RMB continues, and as the Group needs to convert the proceeds from the Share Offer and future financing into RMB for its operations, appreciation of RMB against the relevant foreign currencies would have an adverse effect on the RMB amount it would receive from the conversion. On the other hand, because the dividends on the Shares, if any, will be paid in Hong Kong dollars, any devaluation of RMB against the Hong Kong dollars could adversely affect the amount of any cash dividends on the Shares in Hong Kong dollars terms.

Cost of compliance with the PRC Labour Contract Law and other increases in labour costs may adversely affect the Group's competitive advantage and profits

The EMS industry is labour intensive. The Group cannot assure you that the cost of labour in China will not increase in the future. Labour costs in China are primarily a function of demand and supply of labour, general economic conditions and the standard of living in China. If labour costs in China increase, the Group's operating costs will increase and the Group may not be able to pass these increments to its customers due to competitive pricing pressures and hence the Group's results of operations may be adversely affected.

In particular, the Group is subject to《中華人民共和國勞動合同法》(the Labour Contract Law of the PRC) (the "**PRC Labour Contract Law**"), which became effective on 1 January 2008 and regulates workers' rights in China concerning overtime hours, pensions and the role of trade unions and provides for specific standards and procedures for termination of employment. The aggregate staff costs of the Group increased from approximately HK$70.7 million for the year ended 31 December 2007 to approximately HK$103.2 million for the year ended 31 December 2008, representing a CAGR of approximately 46.0%. Please refer to note 12 to the Accountants' Report in Appendix I to this prospectus for further details. The PRC Labour Contract Law has increased the Group's operating expenses and in the event that the Directors decide to terminate some of the Group's employees or otherwise change its employment or labour practices, the PRC Labour Contract Law may limit its ability to effect these changes in a manner that the Directors believe to be in the interest of the Group. Any increase in the Group's operating expenses could have a material adverse effect on its financial position and results of operations.

RISKS RELATING TO THE SHARE OFFER

Liquidity and possible price volatility of the Shares

Prior to the Share Offer, there has been no public market for the Shares. The final Offer Price for the Shares was the result of negotiations between the Company and China Merchants Securities (for itself and on behalf of the Underwriters). The final Offer Price may differ significantly from the market price for the Shares following the Share Offer. The Company has applied for the listing of, and permission to deal in, its Shares on the Stock Exchange. There is, however, no assurance that an active trading market for the Shares will develop after the Listing, or that if it does develop, will be sustained following the Share Offer, or that the market price of the Shares will not decline following the Share Offer.

The price and trading volume of the Shares will be determined by the equity market conditions and may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in or challenges to the Group's business, announcements of new investments or acquisitions, the depth and liquidity of the market for the Shares, investors' perceptions of the Company, and general political, economic, social and market conditions in the PRC, Hong Kong or other parts of the world might cause the market price of the Shares to fluctuate substantially.

There can be no guarantee as to the accuracy of facts and other statistics contained in this prospectus with respect to the economies and the industry in which the Group operates

Certain statistics, industry data or other information in this prospectus relating to the global consumer electronics industry and the regional markets of consumer electronics in the Americas, Japan, the Asia-Pacific region, Europe, Middle East and Africa have been derived from various official government publications or official sources that are publicly available as well as research reports published by iSuppli and NPD. The Group believes that the sources of such information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has 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, any of their respective directors, officers, affiliates, advisers or representatives, or any other party involved in the Share Offer. Therefore, the Group makes no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside the Americas, Japan, the Asia-Pacific region, Europe, Middle East and Africa. Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the official government statistics and unofficial statistics referred to or contained in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and should not be relied upon. Furthermore, there is no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or statistics.

Issue of new Shares under the Share Option Scheme will have a dilution effect and may affect the Group's profitability

The Company has conditionally adopted the Share Option Scheme. Although no options have been granted thereunder as at the Latest Practicable Date, any exercise of the options granted under the Share Option Scheme in the future and issue of the Shares thereunder would result in a reduction in the percentage ownership of the Shareholders in the Company and may result in a dilution in the earnings per Share and net assets value per Share, as a result of the increase in the number of Shares outstanding after the issue.

Under HKFRS, any options granted to the grantees through the Share Option Scheme will be recognised as share based payment and will be charged to the Group's income statements at fair value at the date of which such options are granted. As such, any grant of options under the Share Option Scheme may increase the expenses of the Group and may thereby affect the Group's profitability.

You should not rely on any information contained in press articles or other media regarding the Company and the Share Offer

Prior to the publication of this prospectus, there may be certain press and media coverage regarding the Company and the Share Offer which may include certain financial information, industry comparisons, profit estimates and other information about the Company that does not appear in this prospectus. The Group has not authorised the disclosure of any such information in the press or media and does not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. The Group makes no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to subscribe for the Shares.

This prospectus contains forward-looking statements, including, but without limitation to, the words and expressions such as "aim", "expect", "believe", "plan", "intend", "anticipate", "may", "seek", "will", "would" and "could" and the negative of these words or other similar expressions or statements, in particular, in the sections headed "Business", "Financial Information" and "Future Plans and Use of Proceeds" in this prospectus in relation to future events, business or other performance and development, the future development of the Group's industry and the future development of the general economy of the Group's key markets and globally.

These statements are based on numerous assumptions regarding the Group's present and future business strategy and the environment in which the Group will operate in the future. These forward-looking statements reflecting the Group's current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus and the following:

- the Group's business and operating strategies and the Group's ability to implement such strategies;
- the Group's capital expenditure and expansion plans;
- the Group's ability to further develop and manage the Group's expansion projects as planned;
- the Group's operations and business prospects;
- various business opportunities that the Group may pursue;
- the Group's financial position;
- the availability and costs of bank loans and other forms of financing;
- the Group's dividend policy;
- the regulatory environment of the Group's industry in general;
- the performance and future developments of the consumer electronics industry;
- the general outlook of the consumer electronics market in the world;
- changes in political, economic, legal and social conditions in the PRC, including the specific policies of the PRC government and the local authorities in the regions where the Group operates;

- changes in competitive conditions and the Group's ability to compete under these conditions;

- changes in currency exchange rates; and

- other factors beyond the Group's control.

Subject to the requirements of applicable laws, rules and regulations, the Company does not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

In this prospectus, statements of or references to the intentions of the Company or any of the Directors are made as at the date of this prospectus. Any such intentions may potentially change in light of future developments.

In preparation for the Listing, the Group has sought the following waiver from strict compliance with the relevant provisions of the Listing Rules and the Companies Ordinance:

WAIVER IN RELATION TO THE ACCOUNTANTS' REPORT

According to Rule 4.04(1) of the Listing Rules and paragraph 27 of Part I of the Third Schedule to the Companies Ordinance, the Group is required to include in this prospectus a statement as to the gross trading income or sales turnover (as the case may be) of the Group during each of the three financial years immediately preceding the issue of this prospectus.

According to Rule 4.04(1) of the Listing Rules and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance, the Group is required to include in this prospectus a report by its auditor with respect to profits and losses and assets and liabilities of the Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

Pursuant to section 342A(1) of the Companies Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with any or all of the requirements of section 342(1) of the Companies Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of those requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

The Accountants' Report for each of the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010 has been prepared and is set out in Appendix I to this prospectus.

An application has been made to the SFC for a certificate of exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full year ended 31 December 2010 in this prospectus on the ground that it would be unduly burdensome for the Group to do so within a short period of time after 31 December 2010. A certificate of exemption has been granted by the SFC under section 342A of the Companies Ordinance. Such exemption is granted on the conditions that (i) particulars of exemption be set forth in this prospectus; and (ii) this prospectus will be issued on 14 January 2011.

An application has also been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that (i) the Listing Date is on or before 31 March 2011; (ii) Rule 8.06 of the Listing Rules is to be complied with, in that the latest financial period reported on by the reporting accountants to the Group as set out in the Accountants' Report in Appendix I to this prospectus shall not end more than six months before the date of this prospectus; and (iii) the grant of a certificate of exemption from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance by the SFC (which certificate has already been granted as set out in the immediately preceding paragraph).

The Directors and the Sponsor have confirmed that each of them have performed, and will continue to perform, sufficient due diligence on the Group to ensure that up to the date of this prospectus, there has been no material adverse change in the financial and trading positions or prospects of the Group since 31 August 2010, and there will not be any event since 31 August 2010 which would materially affect the information shown in the Accountants' Report as set out in Appendix I to this prospectus. The Directors have further confirmed that the reporting accountants have disclosed all material events which have arisen since 31 August 2010 under the section headed "Events After Reporting Period" of the Accountants' Report as set out in Appendix I to this prospectus. The Directors are of the view that all information that is necessary for the public to make an informed assessment of the financial results and the financial position of the Group has been included in this prospectus and that an exemption from compliance with the above accounting period requirements would not prejudice the interests of the investing public.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement in this prospectus or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FULLY UNDERWRITTEN

The Share Offer comprises the Placing and the Public Offer. Details of the structure and conditions of the Share Offer are set out in the section headed "Structure of the Share Offer" in this prospectus.

The Share Offer is sponsored by the Sponsor, the Public Offer is fully underwritten by the Public Offer Underwriters, and the Placing is expected to be fully underwritten by the Placing Underwriters. Full information relating to the Underwriters and the underwriting arrangements, is set out in the section headed "Underwriting" in this prospectus.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by China Merchants Securities (for itself and on behalf of the Underwriters) and the Company on or around Thursday, 20 January 2011 (Hong Kong time), or such later time as may be agreed between China Merchants Securities (for itself and on behalf of the Underwriters) and the Company, and in any event, no later than 9:00 p.m., Friday, 21 January 2011 (Hong Kong time).

If, for any reason, the Offer Price is not agreed between China Merchants Securities (for itself and on behalf of the Underwriters) and the Company on or around Thursday, 20 January 2011, or such later time as may be agreed between China Merchants Securities (for itself and on behalf of the Underwriters) and the Company, and in any event, no later than 9:00 p.m. on Friday, 21 January 2011 (Hong Kong time), the Share Offer will not become unconditional and will lapse.

RESTRICTIONS ON OFFER AND SALE OF OFFER SHARES

No action has been taken to permit any public offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it calculated to invite or solicit offers in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the US except in compliance with the relevant laws and regulations of each such jurisdiction.

The Offer Shares are offered to the public in Hong Kong for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. So far as the Share Offer is concerned, no person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sole Bookrunner, the Sponsor, the Underwriters, any of their respective directors or any other parties involved in the Share Offer.

Each person acquiring Offer Shares will be required to, or be deemed by his acquisition of Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered any Offer Shares, in circumstances that contravene any such restrictions.

Prospective applicants for Offer Shares should consult their financial advisers and take legal advice, as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements of applying for the Offer Shares and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme. No part of the Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

Under section 44B(1) of the Companies Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to the Company by the Stock Exchange.

HONG KONG BRANCH REGISTER AND STAMP DUTY

The Company's principal register of members will be maintained by its principal share registrar, Butterfield Fulcrum Group (Cayman) Limited, in the Cayman Islands and the Company's Hong Kong register of members will be maintained by the Company's Hong Kong Share Registrar, Tricor Investor Services Limited in Hong Kong. Dealings in the Shares registered on the Hong Kong Share Registrar will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, and dealing in the Shares, or exercising rights attached to them. None of the Company, the Sole Bookrunner, the Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposal of, dealing in, or the exercise of any rights in relation to, the Shares.

OVER-ALLOTMENT AND STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time which will begin on the Listing Date, and is expected to expire on Friday, 18 February 2011, being the 30th day after the last date for lodging applications under the Public Offer, to retard and, if possible, prevent a decline in the initial market price of the securities below the offer price. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, China Merchants Securities or its affiliates or any person acting for it, as stabilising manager, may over-allocate or effect transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on China Merchants Securities, its affiliates or any person acting for it to conduct such stabilisation. Such stabilisation, if commenced, will be conducted at the absolute discretion of China Merchants Securities, its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

In connection with the Share Offer, the Company has granted to China Merchants Securities the Over-allotment Option, which will be exercisable in whole or in part by China Merchants Securities at any time within a period commencing from the Listing Date and ending on the 30th day after the last date for lodging of applications under the Public Offer. Pursuant to the Over-allotment Option, the Company may be required to issue and allot at the Offer Price up to an aggregate of additional 15,000,000 Shares, representing 15% of the initial Offer Shares, at the Offer Price to cover, among other thing, over-allocations in the Placing, if any and/or the obligations of China Merchants Securities to return securities borrowed under the Stock Borrowing Agreement.

Further details with respect to stabilisation and the Over-allotment Option are set out in the paragraph headed "Over-allotment Option" under the sections headed "Structure of the Share Offer – Placing" and "Structure of the Share Offer – Stabilisation" in this prospectus.

PROCEDURE FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedure for applying for Public Offer Shares is set out in the section headed "How to Apply for Public Offer Shares" in this prospectus and on the relevant Application Forms.

STRUCTURE OF THE SHARE OFFER

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure of the Share Offer" in this prospectus.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, government authorities, institutions, natural persons or other entities included in this prospectus and for which no official English translation exists are unofficial translations for your reference only.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed herein are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Cheng Han Ngok Steve (鄭衡嶽)	Flat B, 1/F., Block 10 Richwood Park 33 Lo Fai Road Tai Po New Territories Hong Kong	Chinese
Mr. Poon Ka Lee Barry (潘家利)	9A, Block 3 Pokfulam Gardens 180 Pokfulam Road Hong Kong	Chinese
Mr. Ng Kim Yuen (吳儉源)	Flat 9A, Tower 27 Parc Oasis 35 Grandeur Road Yau Yat Tsuen Kowloon Hong Kong	Chinese
Ms. Fok Pui Yin (霍佩賢)	Flat A, 18/F., Block 35 Cityone Shatin New Territories Hong Kong	Chinese
Mr. Lee Kai Bon (李繼邦)	Flat 10D, Block 1 Grand Palisades 8 Shan Yin Road Tai Po New Territories Hong Kong	Chinese

Name	Address	Nationality
Independent non-executive Directors		
Mr. Au-Yang Cheong Yan Peter (歐陽長恩)	D2, 5th Floor Villa Monte Rosa 41A Stubbs Road Wan Chai Hong Kong	British
Dr. Kwan Pun Fong Vincent (關品方)	Flat A, 4/F., Block 3 Pine Court 23 Sha Wan Drive Pokfulam Hong Kong	Australian
Dr. Xue Quan (薛泉)	No. 31 Orchid Path Westwood Palm Spring Yuen Long Hong Kong	Chinese

PARTIES INVOLVED

Sole Bookrunner and Sponsor	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
Joint Lead Managers	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
	Kingsway Financial Services Group Limited 5/F, Hutchison House 10 Harcourt Road, Central Hong Kong
Placing Underwriters	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
	Kingsway Financial Services Group Limited 5/F, Hutchison House 10 Harcourt Road, Central Hong Kong
	OSK Securities Hong Kong Limited 12/F, World-Wide House 19 Des Voeux Road Central Central Hong Kong
	VC Brokerage Limited 28/F, The Centrium 60 Wyndham Street Central Hong Kong
Public Offer Underwriters	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
	Kingsway Financial Services Group Limited 5/F, Hutchison House 10 Harcourt Road, Central Hong Kong

OSK Securities Hong Kong Limited
12/F, World-Wide House
19 Des Voeux Road Central
Central
Hong Kong

Daewoo Securities (Hong Kong) Limited
Suites 2005 – 2012
Two International Finance Centre
8 Finance Street
Central
Hong Kong

VC Brokerage Limited
28/F, The Centrium
60 Wyndham Street
Central
Hong Kong

Legal advisers to the Company

As to Hong Kong law:
D.S. Cheung & Co. Solicitors
29/F., Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

As to PRC law:
King & Wood PRC Lawyers
28th Floor, Landmark
4028 Jintian Road
Futian District
Shenzhen 518026
the PRC

As to US law:
Stoel Rives LLP
900 SW Fifth Ave, Suite 2600
Portland, Oregon 97204
USA

As to German law:
Beiten Burkhardt Rechtsanwaltsgesellschaft mbH
Ganghoferstrasse 33
80339 Muenchen
Germany

	As to Luxembourg law: DSM DI STEFANO MOYSE Avocats à la Cour 2a, Boulevard Joseph II, B.P. 2648, L-1026 Luxembourg
	As to Cayman Islands law: Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong
Legal advisers to the Sponsor and the Underwriters	*As to Hong Kong law:* Mallesons Stephen Jaques 13th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong
	As to PRC law: Jun He Law Offices Suite 2008, Jardine House 1 Connaught Place Central Hong Kong
Reporting accountants	RSM Nelson Wheeler Certified Public Accountants 29th Floor, Caroline Centre Lee Gardens Two 28 Yun Ping Road Hong Kong
Property valuer	DTZ Debenham Tie Leung Limited 16th Floor, Jardine House 1 Connaught Place Central Hong Kong
Receiving banker	Standard Chartered Bank (Hong Kong) Limited 15/F, Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Units 609-610 6/F, Bio-Informatics Centre No.2 Science Park West Avenue Hong Kong Science Park Shatin, New Territories Hong Kong
Principal place of business in the PRC	No.15 North Guangcong Commercial Street First Industrial Zone Zhuliao Town, Baiyun District Guangzhou Guangdong Province the PRC
Authorised representatives	Mr. Poon Ka Lee Barry (潘家利) 9A, Block 3 Pokfulam Gardens 180 Pokfulam Road Hong Kong Ms. Fok Pui Yin (霍佩賢) Flat A, 18/F., Block 35 Cityone Shatin New Territories Hong Kong
Compliance adviser	China Merchants Securities (HK) Co., Limited 48/F, One Exchange Square Central Hong Kong
Company secretary	Mr. Poon Ka Lee Barry (潘家利) *CPA*
Audit committee	Dr. Kwan Pun Fong Vincent (關品方) *(Chairman)* Mr. Au-Yang Cheong Yan Peter (歐陽長恩) Dr. Xue Quan (薛泉)

Remuneration committee	Mr. Cheng Han Ngok Steve (鄭衡嶽) *(Chairman)* Mr. Au-Yang Cheong Yan Peter (歐陽長恩) Dr. Kwan Pun Fong Vincent (關品方) Dr. Xue Quan (薛泉)
Nomination committee	Mr. Au-Yang Cheong Yan Peter (歐陽長恩) *(Chairman)* Mr. Cheng Han Ngok Steve (鄭衡嶽) Dr. Kwan Pun Fong Vincent (關品方) Dr. Xue Quan (薛泉)
Website address	www.telefieldgroup.com.hk (the contents of this website do not form part of this prospectus)
Principal share registrar and transfer office in Cayman Islands	Butterfield Fulcrum Group (Cayman) Limited Butterfield House 68 Fort Street P.O. Box 609 Grand Cayman KY1-1107 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Principal bankers	Standard Chartered Bank (Hong Kong) Limited Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong DBS Bank (Hong Kong) Limited 16th Floor, The Centre 99 Queen's Road Central Hong Kong The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Central Hong Kong

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.

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.

CONSUMER ELECTRONICS INDUSTRY

Overview

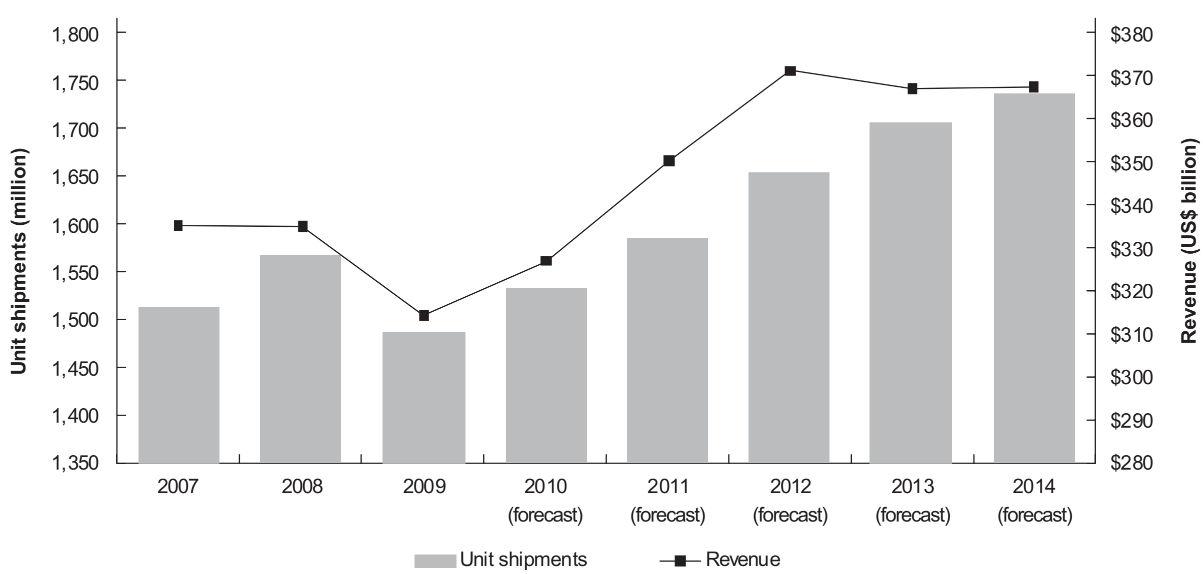
Consumer electronics refer to electrical equipment for daily use. Such electrical equipment is usually intended for entertainment, communications and office use. Over the past decades, consumer electronics have transformed from analogue to digital. The ultimate goal is to have devices where users can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

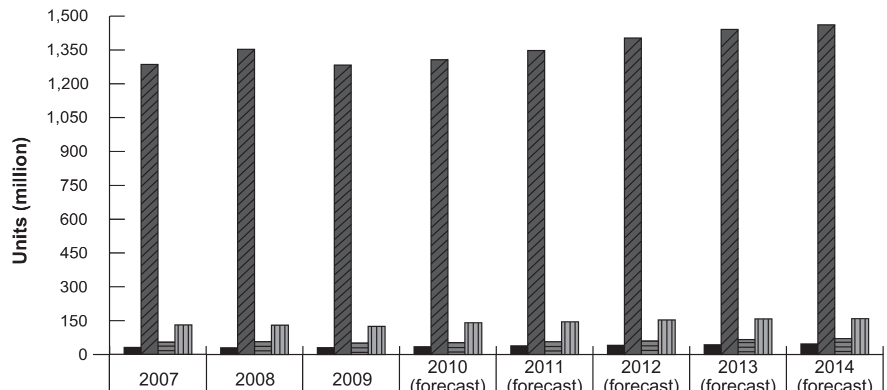


Source: iSuppli

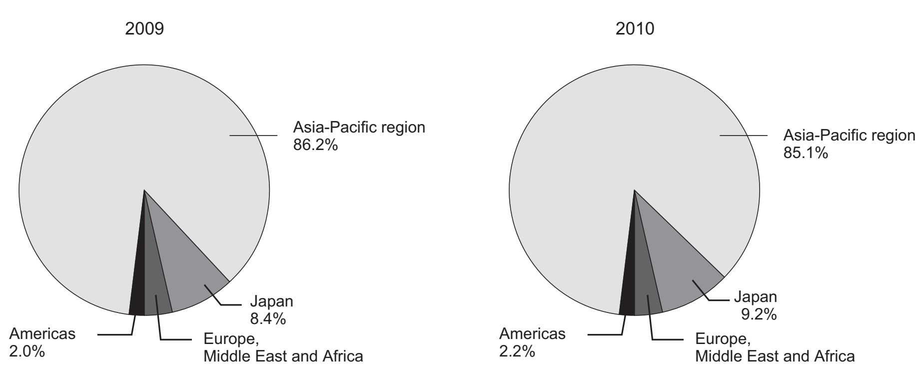
Dominance of consumer electronics manufacturers in the Asia-Pacific region

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)



	2007	2008	2009	2010 (forecast)	2011 (forecast)	2012 (forecast)	2013 (forecast)	2014 (forecast)
Americas	2.0%	1.9%	2.0%	2.2%	2.4%	2.5%	2.5%	2.7%
Asia-Pacific region	84.7%	86.2%	86.2%	85.1%	84.9%	84.4%	84.4%	84.1%
Europe, Middle East and Africa	4.4%	3.6%	3.4%	3.5%	3.6%	3.9%	3.9%	4.1%
Japan	8.9%	8.3%	8.4%	9.2%	9.1%	9.2%	9.2%	9.1%
Total factory production units (million)	1,516.8	1,569.3	1,489.5	1,534.9	1,586.7	1,657.0	1,708,1	1,737.6



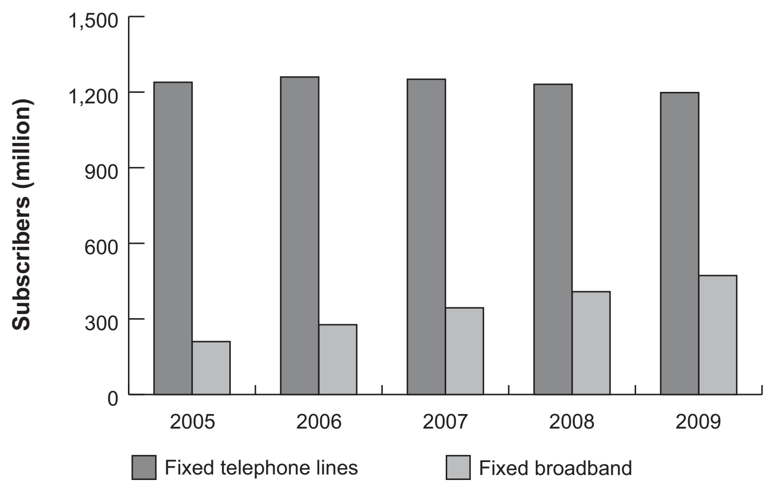
Source: iSuppli

Key development trends

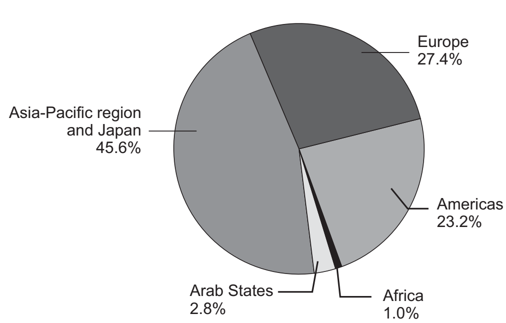
Telecommunications products

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.

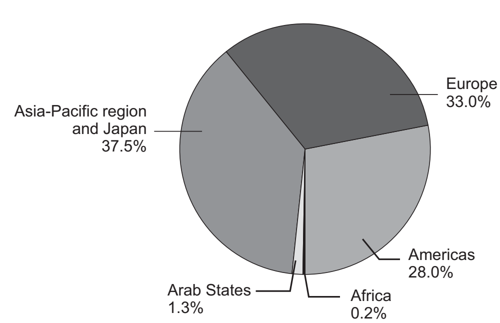
Worldwide subscribers of fixed telephone lines and fixed broadband (2005-2009)



Fixed telephone lines 2009



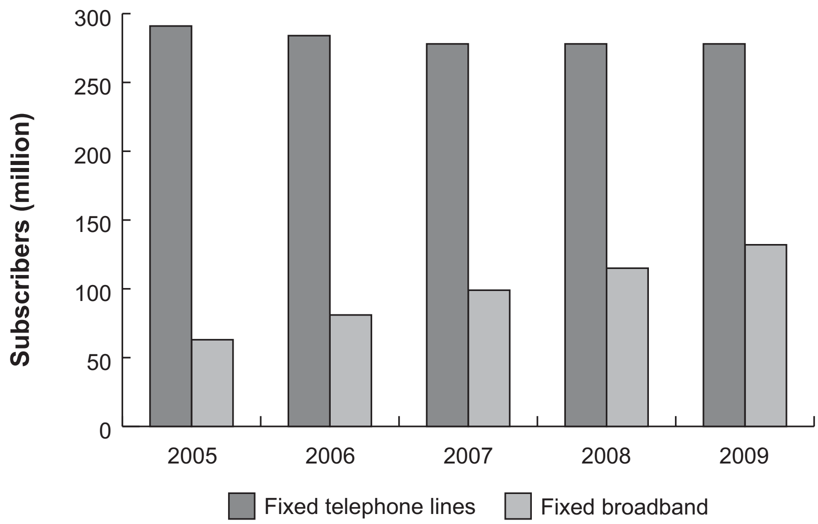
Fixed broadband subscriptions 2009



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.

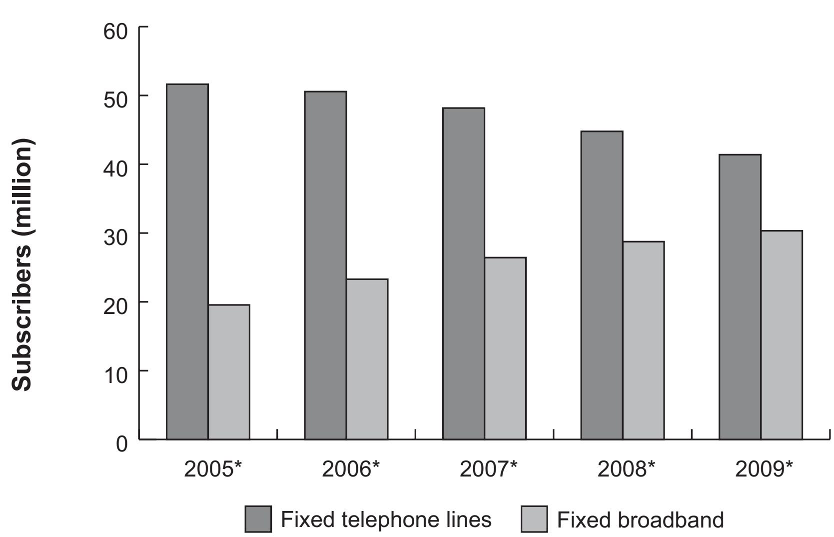
Americas subscribers of fixed telephone lines and fixed broadband (2005-2009)



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)

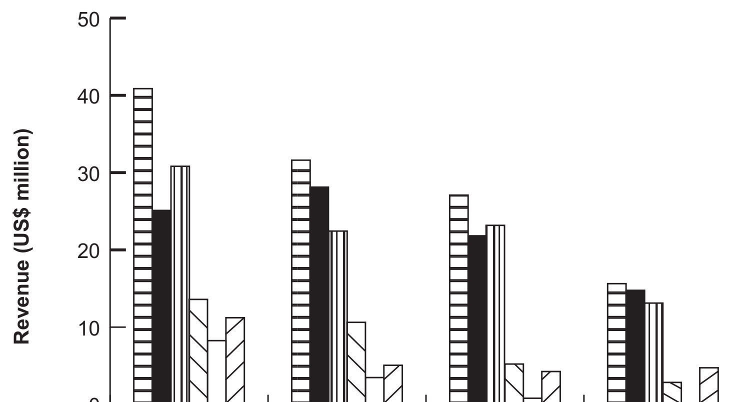


** For the year ended 31 March of each respective year*

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

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)



	2007	2008	2009	2010*
Brand A	31.5%	31.2%	32.9%	30.6%
RCA	19.3%	27.8%	26.5%	28.9%
Brand B	23.7%	22.1%	28.1%	25.6%
Brand C	10.5%	10.5%	6.3%	5.6%
Brand D	6.4%	3.4%	1.0%	0.1%
All others	8.6%	5.0%	5.2%	9.2%
Revenue (US$ million)	129.9	101.3	82.4	51.1

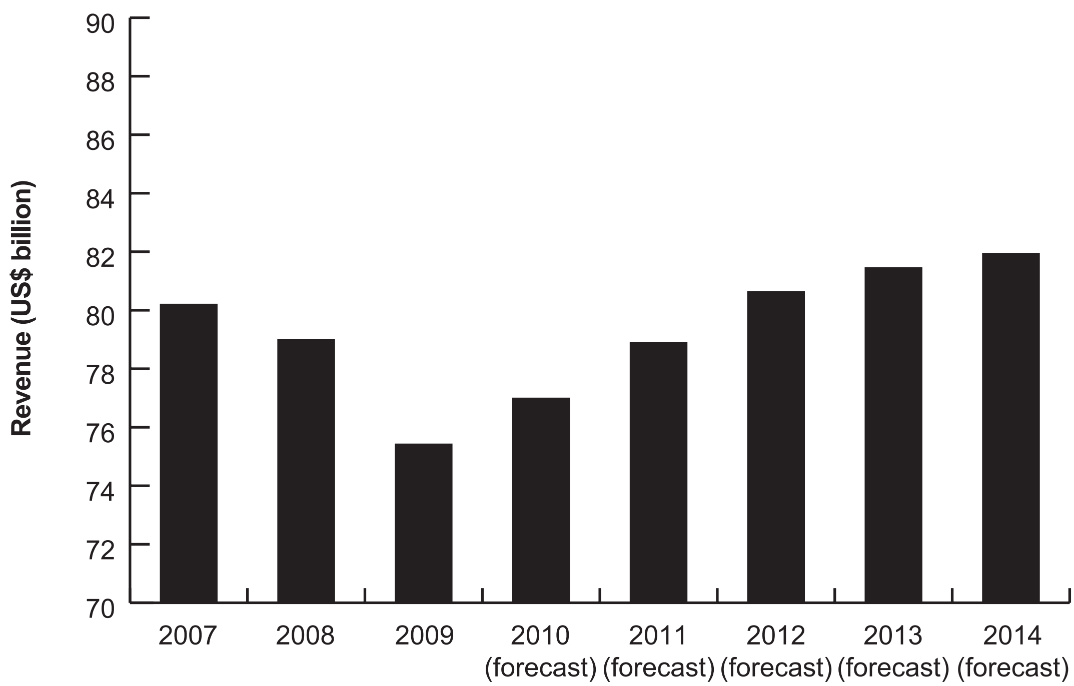
* *Figures covered the eight months ended 31 August 2010*

Source: NPD

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)



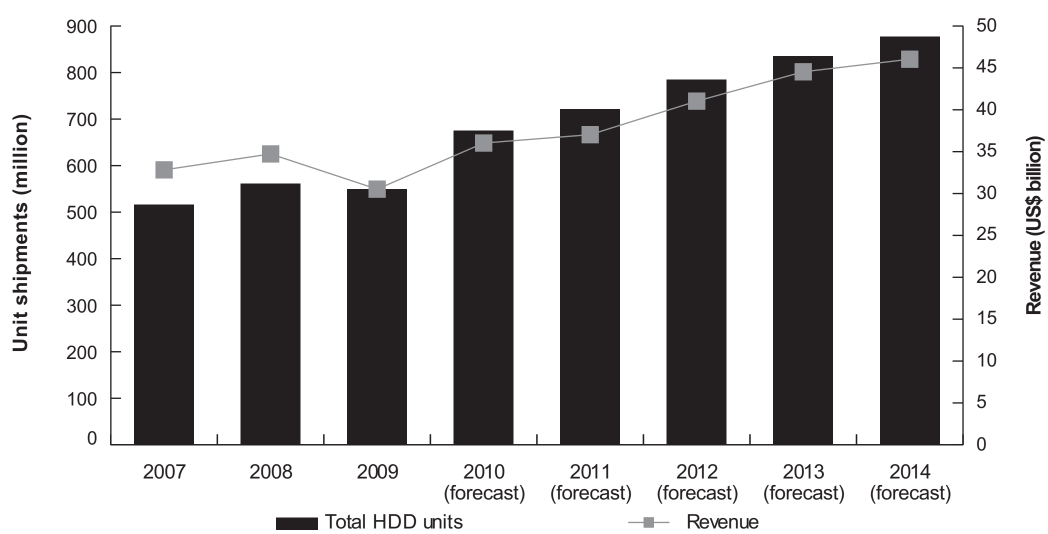
Source: iSuppli

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)

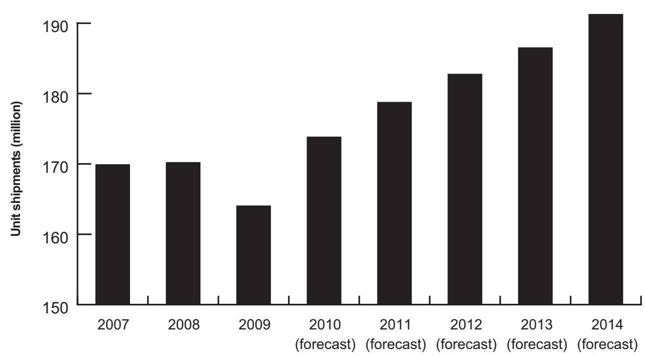


Source: iSuppli

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.

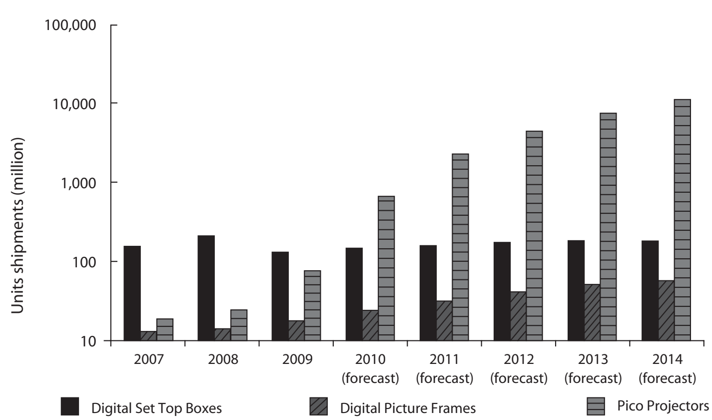
Worldwide home audio system component unit shipments (2007-2014)



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

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.

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.

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.

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.

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.

This section sets forth a summary of the most significant regulations or requirements that affect the Group's business activities in China, Europe and the United States and the Shareholders' right to receive dividends and other distributions from the Group.

REGULATORY REQUIREMENTS IN THE PRC

Establishment, operation and management of a wholly foreign-owned enterprise

The establishment, operation and management of corporate entities in China are governed by《中華人民共和國公司法》(the Company Law of the PRC) (the "**Company Law**"), which was promulgated by the Standing Committee of the National People's Congress of the PRC on 29 December 1993 and was effective as of 1 July 1994, which was subsequently amended on 25 December 1999, 28 August 2004 and 27 October 2005. The Company Law generally governs two types of companies – limited liability companies and joint stock limited companies. The Company Law also applies to foreign-invested limited liability companies.

The establishment procedures, verification and approval procedures, registered capital requirement, foreign exchange restriction, accounting practices, taxation and labour matters of wholly foreign-owned enterprises are governed by《中華人民共和國外資企業法》(the Wholly Foreign-owned Enterprise Law of the PRC) (the "**Wholly Foreign-owned Enterprise Law**"), which was promulgated on 12 April 1986 and amended on 31 October 2000, and《中華人民共和國外資企業法實施細則》(the Implementation Regulation under the Wholly Foreign-owned Enterprise Law), which was promulgated on 12 December 1990 and amended on 12 April 2001.

Foreign investors and foreign-owned enterprises that conduct any investments in the PRC must comply with《外商投資產業指導目錄》(the Catalogue for the Guidance of Foreign Investment Industries) (the "**Catalogue**"), which was amended and promulgated by the Ministry of Commerce and the National Development and Reform Commission of the PRC on 31 October 2007. The Catalogue, as amended, became effective on 1 December 2007 and contains specific provisions that guides market access of foreign capital and sets out in detail, categories of industries in which foreign investment is encouraged, restricted or prohibited. Any industry that is not listed in the Catalogue is a permitted industry.

Dividend distribution

The principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include the Wholly Foreign-owned Enterprise Law, which was promulgated on 12 April 1986 and amended on 31 October 2000 and《中華人民共和國外資企業法實施細則》(the Implementation Regulation under the Wholly Foreign-owned Enterprise Law), which was promulgated on 12 December 1990 and amended on 12 April 2001. Under these laws and regulations, wholly foreign-owned enterprises in China can only pay dividends from accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, such enterprises are required to set aside at least 10% of their after-tax profits each year, if any, to fund certain reserve funds until the accumulated reserve amounts to 50% of its registered capital. Such enterprises are also required to set aside funds for employee bonus and welfare fund from their after-tax profits each year at percentages determined at their sole discretion. These reserves are not distributable as cash dividends.

Import or export of products

《中華人民共和國對外貿易法》(the Foreign Trade Law of the PRC), which was promulgated by the Standing Committee of the National People's Congress of the PRC on 12 May 1994 and amended on 6 April 2004, and《對外貿易經營者備案登記辦法》(the Measures for the Archival Filing and Registration of Foreign Trade Business Operators), which was promulgated by the Ministry of Commerce of the PRC on 25 June 2004 and became effective on 1 July 2004, require that foreign trade operators engaging in the import or export of goods or technologies to register with the Ministry of Commerce of the PRC or the institutions authorised by the Ministry of Commerce of the PRC. In addition, if a company imports or exports goods as consignee and consignor, it must register with local customs authority and obtain《中華人民共和國海關進出口貨物收發貨人報關註冊登記證書》(the Declaration Registration Certificate of the Customs of the PRC for the Consignor or Consignee of Imported or Exported Goods) pursuant to《中華人民共和國海關對報關單位註冊登記管理規定》(the Provisions of the Customs of the PRC for the Administration of Registration of Declaration Entities). Furthermore, pursuant to《中華人民共和國進出口商品檢驗法實施條例》(the Regulations for the Implementation of the Law of the PRC on Inspection of Imported and Exported Goods), which was promulgated by the State Council of the PRC on 31 August 2005, a consignee or consigner of imported and exported goods shall, before filing an application for inspection, conduct the procedures for archiving at the entry-exit inspection and quarantine authority.

Environmental protection

The Environmental Protection Bureau of the PRC is responsible for the overall supervision of environmental protection matters in China, formulation of nationwide environmental quality and discharge standards and supervision of the environmental system of China. The environmental protection bureau at the county level or above are responsible for environmental matters within its jurisdiction.

Pursuant to《中華人民共和國環境保護法》(the Environmental Protection Law of the PRC) (the "**Environmental Protection Law**"), which was promulgated and became effective on 26 December 1989, the environmental protection authority of the State Council of the PRC is responsible for promulgating state standards for the discharge of pollutants. Provincial governments, local governments of autonomous regions under the direct jurisdiction of the PRC central government, and of municipalities may promulgate local standards for the discharge of pollutants on matters not clearly defined and regulated by state standards, conditional upon reporting of such new standards to the relevant environmental protection administrative authorities under the State Council of the PRC for record.

Pursuant to《中華人民共和國環境影響評價法》(the Law on Appraising of Environment Impacts of the PRC), which was promulgated on 28 October 2002 and became effective on 1 September 2003, manufacturers must prepare and submit, prior to commencement of work, an environmental impact document of the relevant construction project, to the relevant governmental authority for approval. In addition, pursuant to《建設項目環境保護管理條例》(the Regulations on the Administration of Environmental Protection of Construction Projects), which was promulgated by the State Council of the PRC on 29 November 1998, only after the supporting environmental protection facilities required for a construction project has passed the examination and acceptance may that construction project be put into formal production or use.

The Environmental Protection Law requires any facility producing pollutants or other hazardous matters during its operation to undertake environmental protection measures and to establish an environmental protection responsibility system, which shall include the adoption of effective measures to control and deal with waste gas, waste water, debris, powder or other wastes. Any physically-discharged pollutants must be registered with the relevant environmental protection authorities.

Remedies for contravention of the Environmental Protection Law include warnings, damages or penalties. Any constructing enterprise that fails to set up prevention of pollution measures in accordance with the environmental protection standards for its construction project may be ordered to stop production or operation temporarily and fined. The responsible person shall bear criminal liability for serious contravention of environmental protection laws and regulations which lead to property loss or human injuries or death.

Occupational health and safety

Pursuant to《中華人民共和國勞動合同法》(the Labour Contract Law of the PRC), which became effective on 1 January 2008, employers must establish a complete management system to protect the rights of employees, including the setting up of a system regulating occupational health and safety to provide on-the-job training for the employees and avoid industrial accidents.

Pursuant to《中華人民共和國安全生產法》(the Production Safety Law of the PRC), which became effective on 1 November 2002, manufacturers must establish complete management systems in accordance with the applicable laws and regulations to ensure safe production. Manufacturers which fail to meet the relevant legal requirements are not allowed to conduct manufacturing activities.

Tax law

On 1 January 2008,《中華人民共和國外商投資企業和外國企業所得稅法》(the PRC Enterprise Income Tax Law for Foreign Invested Enterprises and Foreign Enterprises) and《中華人民共和國企業所得稅暫行條例》(the Provisional Regulations of the PRC on Enterprise Income Tax) were abolished, and the PRC Enterprise Income Tax Law, which was promulgated on 16 March 2007, became effective. Pursuant to the PRC Enterprise Income Tax Law, the income tax rate for both domestic-funded enterprises and foreign-funded enterprises is 25%.

Pursuant to《國務院關於實施企業所得稅過渡優惠政策的通知》(the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax), which was promulgated and became effective on 26 December 2007, the preferential tax rate enjoyed by enterprises established prior to the issuance of the PRC Enterprise Income Tax Law pursuant to the then current tax laws and administrative regulations, will gradually be increased to the statutory tax rate within a transitional period of five years from the effective date of the PRC Enterprise Income Tax Law. The fixed-term preferential tax policies enjoyed by certain enterprises, such as the "two-year exemption and three-year half rate" and the "five-year exemption and five-year half rate", will continue to be effective after the implementation of the PRC Enterprise Income Tax Law in the manner and for the period as specified in relevant tax laws and administrative regulations until the expiration of the preferential period. Enterprises that had not enjoyed the aforesaid preferential policy due to their failure to make a profit will enjoy the aforesaid preferential policy from 2008 onwards.

《中華人民共和國增值稅暫行條例》(the Interim Regulation of the PRC on Value Added Tax), which was promulgated on 13 December 1993 and amended on 10 November 2008, is applicable to domestic and foreign invested enterprises selling commodities in the PRC, engaging in the provision of processing or maintenance services, and imports of commodities. Except for the sales or imports of specific categories of commodities which are entitled to a value-added tax rate of 13%, sales or imports, provision of processing, and maintenance labour are subject to a tax rate of 17%.

Pursuant to《中華人民共和國營業稅暫行條例》(the Interim Regulation of the PRC on Business Tax), which was promulgated on 13 December 1993 and amended on 5 November 2008, enterprises engaged in the provision of taxable labour services as prescribed in this regulation, transfer of intangible assets and sale of immovables are subject to business tax at a rate ranging from 3% to 20%, depending on the categories of taxable items.

Enterprises in the PRC engaging in processing trade may enjoy certain tax preferences. Pursuant to《中華人民共和國進出口關稅條例》(the Regulations of the PRC on Import and Export Duties), which was promulgated by the State Council of the PRC on 23 November 2003, if import duties are paid for the materials imported for processing trade when they enter into the territory of PRC, and the finished products or the import materials are exported within the specified time limit, the customs shall refund the import duties imposed on entry. Pursuant to《國家稅務總局關於外商投資企業來料加工、進料加工的免稅的通知》(the Notice of the State Administration of Taxation of the PRC on Exemption of Taxes for Processing of Materials Provided by Foreign Clients and Processing of Imported Materials by Foreign-Funded Enterprises) promulgated on 10 October 2000, the goods imported by foreign-funded enterprises for processing of materials provided by foreign clients or for processing of imported materials are exempted from import value-added tax and import consumption tax. After export of processed goods, the processed or entrusted processed goods and fees for the processing shall be exempted from value-added tax and consumption tax. Pursuant to《關於徵收出口關稅的幾項規定的通知》(the Notice of Several Provisions on Levy of Export Duties), which was promulgated by the General Administration of Customs of the PRC on 15 May 1982, the finished products by processing materials provided by foreign clients may be exempted from export duties. Pursuant to《出口貨物退(免)稅管理辦法》(the Provisions on Export Tax Refund (Exemption)), which was promulgated by the State Administration of Taxation of the PRC on 18 February 1994, goods processed with materials provided by foreign clients and re-exported are exempted from value-added tax and consumption tax.

Trademark law

《中華人民共和國商標法》(the Trademark Law of the PRC), which was promulgated on 23 August 1982, and amended on 22 February 1993 and on 27 October 2001, seeks to improve the administration of trademarks, protect the right to exclusive use of trademarks and encourage producers and operators to guarantee the quality of their goods and services and maintain the reputation of their trademarks, so as to protect the interests of consumers, producers and operators.

Under this law, any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark:

- using a trademark which is identical with or similar to the registered trademark on the same kind of commodities or similar commodities without a licence from the registrant of that trademark;
- selling the commodities that infringe upon the right to exclusive use of a registered trademark;
- forging, manufacturing without authorisation the marks of a registered trademark of others, or selling the marks of a registered trademark forged or manufactured without authorisation;
- changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of that trademark; and
- causing other damage to the right to exclusive use of a registered trademark of another person.

In the event of any above-mentioned acts which infringe upon the right to the exclusive use of a registered trademark, the infringer would be ordered to stop the infringement acts immediately, imposed a fine, and be ordered to compensate the infringed party, and the competent administrative authority for industry and commerce may confiscate or destroy the infringing commodities and the tools especially used for the manufacturing of infringing commodities and the forging of marks of the registered trademark.

Foreign exchange

Pursuant to《中華人民共和國外匯管理條例》(the Regulation on Foreign Exchange Administration of the PRC), which was promulgated on 29 January 1996, as amended on 14 January 1997 and on 1 August 2008 by the State Council of the PRC, international payments in foreign exchange and transfer of foreign exchange under the current account are not subject to any state control or restriction. However, before reserving the foreign exchange income under the capital account or selling it to any financial institution engaged in the foreign exchange sale or settlement business, the approval of the competent foreign exchange administrative authority shall be obtained, unless it is otherwise provided by the state. Foreign exchange expenditure under the capital account shall be paid by an enterprise with its self-owned foreign exchange upon valid documents or with the foreign exchange purchased from any financial institution engaged in the foreign exchange sale or settlement business in accordance with the administrative provisions on payment and purchase of foreign exchange promulgated by the foreign exchange administrative authority of the State Council of the PRC. If the state provisions require the approval of a foreign exchange administrative authority, the approval must be obtained before making foreign exchange payments. The foreign exchange and foreign exchange settlement funds under the capital account shall be utilised for the purposes approved by the competent authorities including the foreign exchange administrative authority.

REGULATORY REQUIREMENTS IN EUROPE

Pursuant to the Council Regulation (EC) No. 1225/2009 of 30 November 2009 ("**Council Regulation**"), the European Commission is responsible for investigating into allegations of dumping within the European Union (the "**EU**"). It usually conducts an investigation either upon receipt of a complaint from producers of the product within the EU or on its own initiative. The investigation must show that (i) there is dumping pursuant to article 2 of the Council Regulation by the exporting producers in the country/countries concerned; (ii) material injury has been suffered by the industry concerned within the EU; (iii) there is a causal link between the dumping and injury found; and (iv) the imposition of measures is not against the interest of the EU.

If the investigation comes to the conclusion that the above four conditions have been met, then anti-dumping measures may be imposed on imports of the product concerned. These measures are usually duties or price undertakings. The duties are paid by the importer in the EU and collected by the national customs authorities of the respective EU countries. Exporting producers may offer "undertakings" agreeing to sell at a minimum price, for example. If their offer is accepted, anti-dumping duties will not be imposed on imports. The European Commission is not obliged to accept an offer of an undertaking.

Besides the measures taken by the European Commission, most of the EU member states have national legislation not allowing the sale of goods below their costs of production unless such sale is for a short period of time or under special event. In Germany, the Act against Restraints of Competition (Gesetz gegen Wettewerbsheschränkungen, **GWB**) and the Fair-Trade Law (Gesetz gegen den unlauteren Wettbewerb, **UWG**) are applicable for these actions. These legislations are enforced by the national anti-trust authorities. Investigations might result in damage claims against the importer in the EU by local producers.

REGULATORY REQUIREMENTS IN THE UNITED STATES

In the United States, the United States International Trade Commission and U.S. Department of Commerce share responsibility for investigating allegations of dumping, under authority granted by the Tariff Act of 1930 (19 U.S.C. § 1202 *et. seq.*). The standards and procedures employed by the United States federal agencies are analogous to those described above with respect to the EU and Germany. Where an investigation reveals that foreign products are being "dumped" into the United States, the U.S. Department of Commerce may impose appropriate countervailing duties as a remedy for the dumping activities.

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.

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 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.

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.

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

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.

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

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.

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.

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

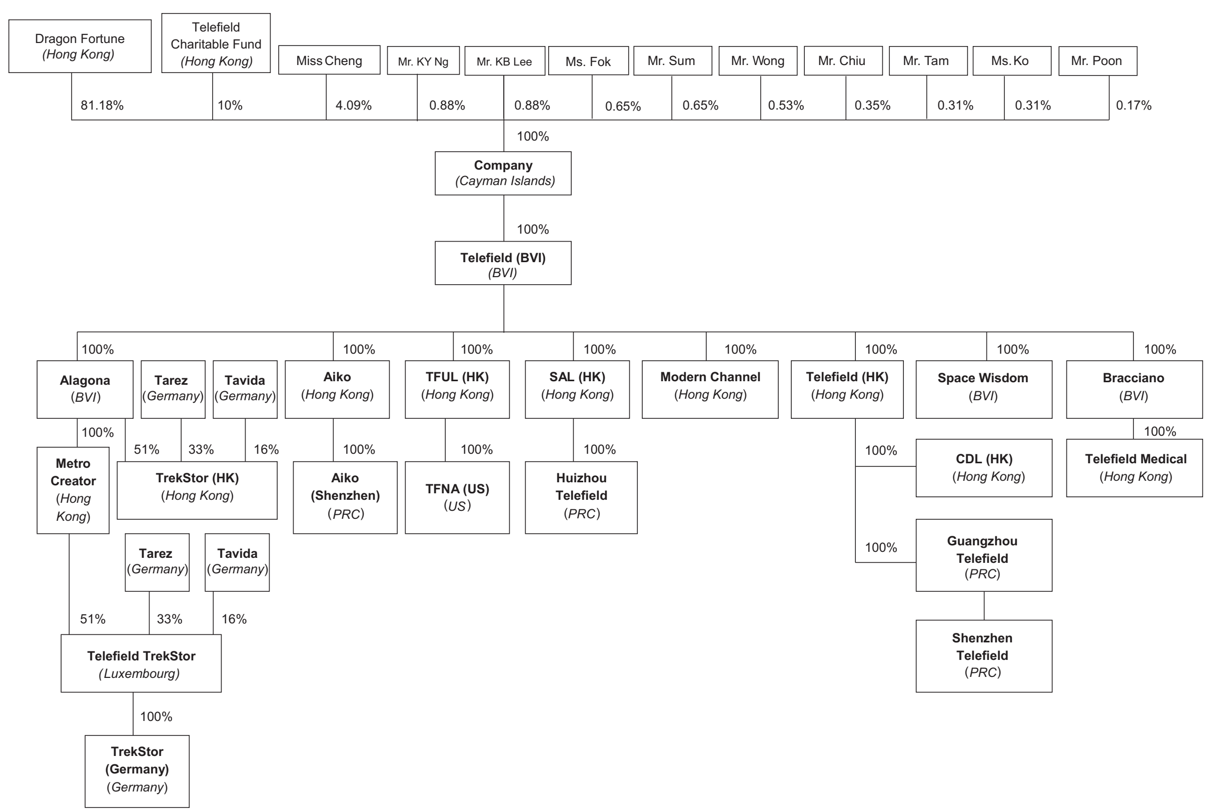
Telefield Medical is a company incorporated in Hong Kong with limited liability on 25 January 2010. As at the date of incorporation, the authorised share capital of Telefield Medical was HK$10,000 divided into 10,000 shares of HK$1.00 each. One subscriber share of HK$1.00 each was allotted and issued 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.

GROUP REORGANISATION

Reorganisation

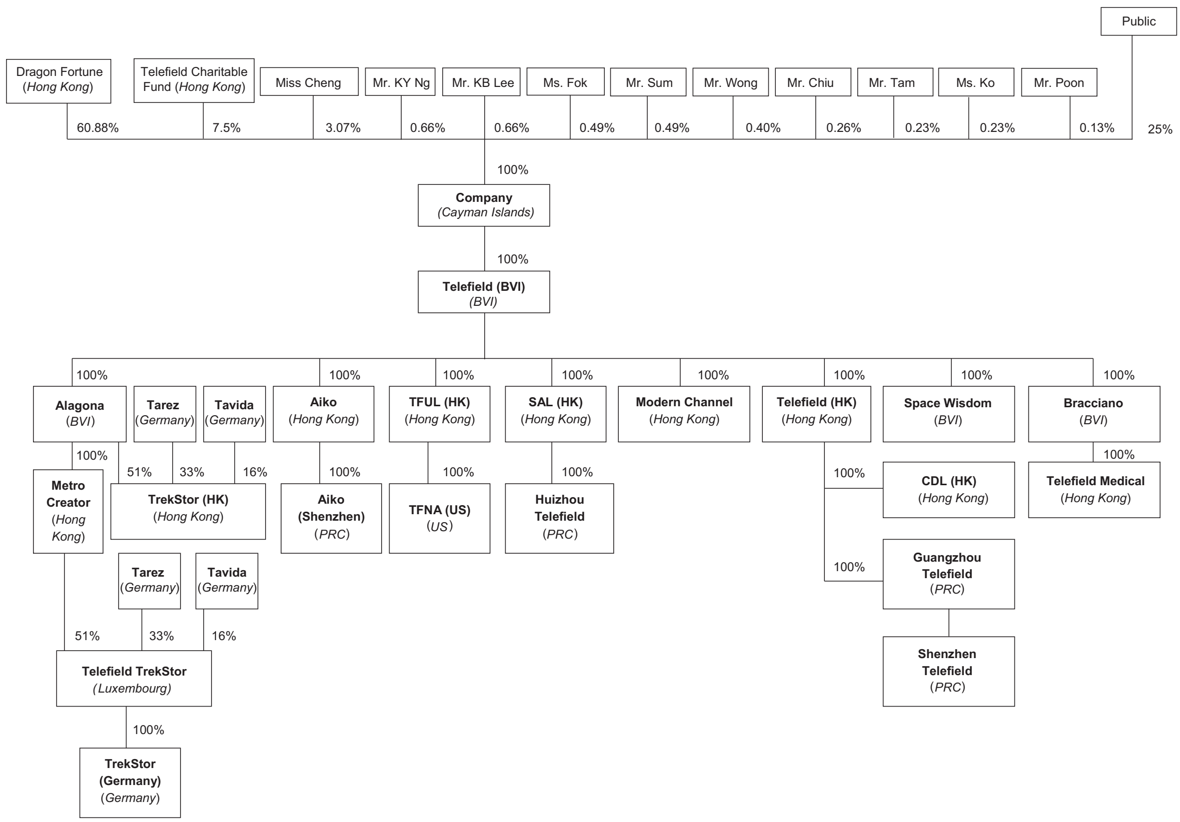
The Company completed the Reorganisation on 31 December 2010 in preparation for the Listing pursuant to which the Company became the ultimate holding company of the Group. Details of the Reorganisation are set out in the paragraph headed "Group reorganisation" in Appendix VI to this prospectus.

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



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.

(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.

OVERVIEW

Business model

The Group is an established EMS provider headquartered in Hong Kong, which offers one-stop solutions to a number of international brand owners of consumer electronic products. As the Group offers one-stop solutions to its customers including research and development, sourcing and procurement, production, sales and logistics and after-sales services, which are services provided by either ODM or OEM, the Directors believe that the term "EMS", which is generally used in consumer electronics industry, is best suited to describe the Group's business. The Group distinguishes itself from traditional EMS providers by the change of its business model from a sole EMS provider to an operator of both EMS and branded businesses through tapping into the branded products market in 2009. Please refer to the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus for the risks associated with the above-mentioned change in the Group's business model. The Group currently has a diversified customer base covering Japan, the Asia-Pacific region, the Americas and Europe, and with international brand owners of consumer electronic products as its EMS customers. During the Track Record Period, a considerable proportion of the Group's revenue under the EMS segment was generated from its ODM customers to whom the Group provided one-stop solutions including research and development, sourcing and procurement, production, sales and logistics and after-sales services. The Group's branded businesses include distribution of SMB phone systems under the "RCA" brand in North America and assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand in Europe. 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. The Directors believe that the "TrekStor" brand has enjoyed a good reputation in Germany in relation to portable storage devices and multimedia products before early 2009.

The Group is headquartered in Hong Kong. Whilst a majority of the Group's management team, administrative team and research team are in Hong Kong, most of its production and development activities are carried out in the PRC. While the Group's portable storage devices under the "TrekStor" brand are assembled in Germany, most of its products are manufactured in its production facilities in Guangzhou and Huizhou. The Group has leased offices in Shenzhen where some of its administrative and development activities are conducted. As at the Latest Practicable Date, the Group had (i) 17 fully automated SMT production lines; (ii) 22 production lines and 20 bonding machines for COB assembly; and (iii) approximately 2,400 full-time employees in its production facilities. The Group's production lines can, with minor adjustments, be used for the production of consumer electronic products for different EMS customers.

As at the Latest Practicable Date, the Group had approximately 100 engineers who focus on technology research, product realisation and commercialisation through turning conceptual designs into deliverable products, design improvements and optimisation of production processes. In recent years, the Group has expanded its research and development capabilities and intends to devote additional resources to technological advancement. During the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group's research and development expenses amounted to approximately HK$11.0 million, HK$17.1 million, HK$18.8 million and HK$11.9 million, respectively.

The Group's revenue increased from approximately HK$564.1 million for the year ended 31 December 2007 to approximately HK$821.9 million for the year ended 31 December 2009, representing a CAGR of approximately 20.7%. The Group's net profit attributable to the Shareholders increased from approximately HK$14.4 million for the year ended 31 December 2007 to approximately HK$76.2 million for the year ended 31 December 2009, representing a CAGR of approximately 130.0%.

EMS business

The Group's EMS business is principally conducted on a turnkey basis. Its one-stop solutions under the EMS business include research and development, sourcing and procurement, production, sales and logistics and after-sales services. The Directors consider that the Group's achievements in its EMS business are mainly attributable to the Group's relationships with certain international players in the global consumer electronic products industry, its expertise in providing flexible manufacturing solutions, as well as its experienced and dedicated management team and engineers.

The Group has been committed to bringing high quality consumer electronic products to its customers, and has adopted stringent quality assurance procedures at different stages of its business operation spanning from the pre-production process to the inspection of finished goods. The Group's production facilities obtained various quality standard certifications, including ISO 9001 certification, ISO 14001 certification and ISO 13485 certification.

Branded businesses

Leveraging on its EMS capabilities, the Group has been developing its branded businesses since 2009. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the Group had 61 and 74 customers for its branded businesses, respectively, who were mainly retailers and distributors. The revenue generated from the Group's branded businesses accounted for approximately 17.1% and 32.0% of the Group's total revenue for the year ended 31 December 2009 and the eight months ended 31 August 2010, respectively. Please refer to the paragraph headed "Branded businesses" under the sub-section headed "Business model" in this section for further details of the Group's branded businesses. By developing the branded businesses, the Directors believe that the Group is able to (i) expand and enlarge its customer base across a wider geographical region covering the Americas and Europe; (ii) distinguish itself from traditional EMS providers by becoming a distributor of international brands of consumer electronic products; and (iii) operate a more vertically-integrated manufacturing business model supported by an international distribution network.

The Group's branded businesses, which commenced in March 2009, are new and have a short track record. As such, it is difficult to identify the difficulties that the Group may encounter in different stages of developing and implementing its branded business model. In order to minimise the risks involved in the business expansion into the branded products market, the Directors proactively assess and identify the risks involved in the branded businesses, including the exposure to exchange rate fluctuations and product liability risks. Since the commencement of its branded businesses, the Group has adopted currency hedging and strengthened its quality assurance, including quality audit before exit of the suppliers' factories in the PRC, participation in product development cycle and performing reliability confirmation testing before the commencement of production. In addition, the Directors believe that, with the existing expertise and experience of the Group's senior management team in EMS and/or branded businesses, the Group will be able to achieve business growth in the branded products market. Furthermore, the Group has efficient inventory management to maintain the inventory for branded businesses at a minimum level by adopting the inventory control measures for its EMS business with slight modifications.

Licensed brand products distribution business in North America

The Group's licensed brand business in North America is primarily related to the distribution of pre-approved models of SMB phone systems under the "RCA" brand through licensing arrangement under the RCA Licence Agreement, which is due to expire on 31 December 2013. Please refer to the paragraph headed "Branded businesses – Licensed brand products distribution business in North America – Licensing arrangement" under the sub-section headed "Business model" in this section for details of the licensing arrangements. According to NPD, for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the retail revenue of SMB phone systems in the US amounted to approximately US$129.9 million, US$101.3 million, US$82.4 million and US$51.1 million, respectively. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the revenue generated from the distribution business of SMB phone systems under the "RCA" brand accounted for approximately 14.3% and 15.1% of the Group's total revenue, respectively. Although the Group has started preliminary discussion to renew the RCA Licence Agreement, there is no assurance that the Group could secure the renewal on favourable terms or at all. Please refer to the paragraph headed "The Group's branded businesses have a short track record and the Group may not be able to realise the benefits envisioned for its expansion into the branded businesses – Distribution of SMB phone systems under the 'RCA' brand" under the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus for further details of the relevant risks.

Own brand products distribution business in Europe

In addition, the Group has assembled and/or distributed portable storage devices and/or multimedia products under the "TrekStor" brand, which are marketed and distributed to electronics superstores and other retailers mainly in Germany and various other countries in Europe. The Group's own brand business under the "TrekStor" brand recorded a net loss of approximately HK$22.3 million during the eight months ended 31 August 2010. The loss was mainly attributable to (i) sales picked up slowly when the Group was re-establishing the business relationship with the customers of TrekStor GmbH & Co. KG (in liquidation) while the Group was obliged to continue to pay for overhead costs such as staff costs and rent; and (ii) the Group was taking steps to resume new product development to introduce new products to the market. Please refer to the section headed "Financial Information – Review of historical operating results" in this prospectus for further details.

Revenue

The table below sets forth the Group's revenue generated by the Group's three business segments, including a breakdown of the Group' s EMS segment into two principal product lines, namely, telecommunications products and non-telecommunications products, and into principal products, in absolute amounts and as a percentage of the Group's total revenue from external customers, for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
EMS										
Telecommunications products										
– Corded and cordless residential telephones and SMB phone systems	328,342	58.2	356,504	42.0	171,148	20.8	101,897	20.5	99,651	14.5
Non-telecommunications products										
– Appliances and appliances control products	102,495	18.2	322,408	38.0	374,914	45.6	249,386	50.2	302,147	43.8
– Multimedia products	90,440	16.0	111,931	13.2	57,109	7.0	32,231	6.5	19,599	2.8
– Computer accessories	–	–	–	–	13,550	1.6	337	0.1	13,719	2.0
– Beauty care equipment	11,424	2.0	8,842	1.0	1,557	0.2	1,379	0.3	2,937	0.5
– Others	31,351	5.6	48,807	5.8	63,598	7.7	45,019	9.0	30,620	4.4
EMS segment subtotal	564,052	100.0	848,492	100.0	681,876	82.9	430,249	86.6	468,673	68.0
Branded businesses										
Telecommunications products										
– SMB phone systems (Licensed brand business)	–	–	–	–	117,367	14.3	66,545	13.4	104,562	15.1
Non-telecommunications products										
– Portable storage devices and multimedia products (Own brand business)	–	–	–	–	22,655	2.8	–	–	116,306	16.9
Branded businesses segment subtotal	–	–	–	–	140,022	17.1	66,545	13.4	220,868	32.0
Total	**564,052**	**100.0**	**848,492**	**100.0**	**821,898**	**100.0**	**496,794**	**100.0**	**689,541**	**100.0**

The table below sets forth a breakdown of the Group's gross profit and gross profit margin ("**GPM**") for its business segments, principal product lines and principal products, for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
		GPM		GPM		GPM		GPM		GPM
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
EMS										
Telecommunications products										
– Corded and cordless residential telephones and SMB phone systems	19,075	5.8	31,078	8.7	13,655	8.0	8,186	8.0	9,711	9.7
Non-telecommunications products										
– Appliances and appliances control products	36,839	35.9	86,571	26.9	115,216	30.7	78,606	31.5	80,023	26.5
– Multimedia products	7,407	8.2	15,765	14.1	10,742	18.8	4,199	13.0	5,460	27.9
– Computer accessories	–	–	–	–	528	3.9	86	25.5	1,446	10.5
– Beauty care equipment	2,054	18.0	1,045	11.8	464	29.8	361	26.2	446	15.2
– Others	880	2.8	1,871	3.8	7,674	12.1	4,502	10.0	6,753	22.1
EMS segment gross profit and GPM	66,255	11.7	136,330	16.1	148,279	21.7	95,940	22.3	103,839	22.1
Branded businesses										
Telecommunications products										
– SMB phone systems (Licensed brand business)	–	–	–	–	35,281	30.1	20,179	30.3	33,732	32.3
Non-telecommunications products										
– Portable storage devices and multimedia products (Own brand business)	–	–	–	–	4,172	18.4	–	–	14,894	12.8
Branded businesses segment gross profit and GPM	–	–	–	–	39,453	28.2	20,179	30.3	48,626	22.0
Total gross profit and overall GPM	**66,255**	**11.7**	**136,330**	**16.1**	**187,732**	**22.8**	**116,119**	**23.4**	**152,465**	**22.1**

For the year ended 31 December 2009 and the eight months ended 31 August 2010, revenue generated by the Group's branded businesses amounted to approximately HK$140.0 million and HK$220.9 million, respectively, representing approximately 17.1% and 32.0% of its aggregate revenue for the corresponding periods, respectively. The Group intends to further expand its branded businesses in the future.

COMPETITIVE STRENGTHS

The Directors believe that the Group's success and future success are based on the following competitive strengths:

The Group distinguishes itself from traditional EMS providers by its branded businesses

The Directors believe that the Group distinguishes itself from traditional EMS providers by engaging in the branded businesses. The Group has operated as a manufacturer and distributor of SMB phone systems under the "RCA" brand in North America and an assembler and/or distributor of portable storage devices and/or multimedia products under the "TrekStor" brand in Europe since March 2009 and November 2009, respectively. Further details of the Group's principal business activities are set out in the sub-section headed "Business model" in this section. The Directors consider that the manufacturing and distribution business of SMB phone systems under the "RCA" brand in North America and the assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand present a good growth potential for the Group. According to NPD, SMB phone systems under the "RCA" brand have been one of the three largest players in the US market. The Directors also believe that the "TrekStor" brand has enjoyed a good reputation in Germany in relation to its portable storage devices and multimedia products before early 2009. Thus, the Directors believe that the branded businesses enable the Group to charge premium prices, enjoy higher profit margins and position its products towards the higher end of the market.

The Directors believe that the Group would have a better understanding of the market and industry opportunities for its branded businesses in the course of the establishment and operation of a distribution network in North America and Europe. Leveraging on the existing branded products distribution network in North America and Europe, the Directors believe that the Group will be able to expand its market reach and increase its market penetration and market share, and further distribute new products to these markets in the future.

Vertically-integrated business model facilitates an efficient product mix, and improves the speed to market and the product quality

With the establishment and operation of its branded businesses, the Group has a vertically-integrated business model which allows it to manage key supply chain functions from research and development to after-sales services. This provides the Group with a significant operational flexibility, direct access to retailers and greater control over access to raw materials and components as well as to control production cost, quality and delivery time. Benefited from the product knowledge and manufacturing experience gained during its long-standing EMS business operations, the Group constantly initiates new development ideas to develop new products for its customers. The Directors believe that the Group's ability to identify such technological opportunities for its customers enables it to solicit and capitalise on new business opportunities.

The Group maintains a close dialogue among its sales and marketing team, research and development team and production team, which the Directors believe allows the Group to promptly and effectively respond to changes in consumer demands and preferences. The Group is able to adjust its products portfolio and its product development capability allows it to develop new products to suit its customers' needs and demands. The close inter-departmental cooperation allows the Group to serve its customers promptly and directly, and create interest in products developed by the Group which are new to the market.

The Group uses automated and semi-automated production machineries and testing equipment to manufacture most of the key component modules required for its products. The Group constantly invests in new machines to ensure it has up-to-date SMT production lines. In addition, the production lines are designed to allow a high degree of flexibility and, in certain cases, can be adjusted to accommodate the production of other products in a relatively short time frame.

Established and long-standing relationships with customers

The Group has successfully maintained business relationships with a number of customers for more than five years, including the Group's major customers. The Directors believe that the Group's understanding of its customers' needs and its ability to deliver quality and one-stop solutions have been of value to the customers. Most of the major customers require the Group to undergo their internal audits on quality assurance procedures, raw materials management, production management and delivery management, which usually take at least six months to complete.

The Directors believe that the quality of the Group's services and products is the key to maintaining customer loyalty. The Group's major customers are invited to station their staff at the Group's production facilities for a period of time to understand its production process and quality assurance procedures. The Directors further believe that the Group's established and long-term relationships with its major customers are attributable to its consistent track record of quality products, production know-how, industry experience, dedicated management teams and after-sales services.

Flexible, efficient and one-stop solutions

The Group offers one-stop solutions from research and development to after-sales services to its EMS customers. During the Track Record Period, a considerable proportion of the Group's revenue under the EMS segment was generated from its ODM customers to whom the Group provided one-stop solutions including research and development, sourcing and procurement, production, sales and logistics and after-sales services. Furthermore, the Group aims to maximise its flexibility and efficiency throughout the production process and to customise its products to fulfil the specifications of different customers. The Group is able to meet both "high volume, low mix" and "low volume, high mix" requirements from its customers due to the utilisation of production set up for different applications. For "high volume, low mix" production, automated or semi-automated production machineries are adjusted to form production lines to tailor for efficient and large scale production of specific products. For "low volume, high mix" production, cellular manufacturing utilises cell line production to arrange production floor labour into multi-skilled work cells to achieve maximum efficiency, productivity and flexibility of short production runs.

The Group's engineers deploy their expertise in order to improve the Group's efficiency in production and maximise utilisation of its production capacity. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the total amount of purchases of machinery were approximately HK$11.0 million, HK$19.0 million, HK$14.2 million and HK$5.4 million, respectively, representing approximately 2.0%, 2.2%, 1.7% and 0.8% of the total revenue, respectively.

The Group maintains a relatively low but sufficient level of inventory at its production facilities and warehouses. To control work-in-progress, the Group employs the Kanban system which uses demand signals to ensure that the necessary products (or parts) are produced (or acquired) in the necessary quantities within the required time frame. During the Track Record Period, whilst inventory levels for the Group's EMS business were kept at not more than two months on average, the Group usually kept less than three months' inventory including goods in transit to cater to the changing demand for the products for its branded businesses. Materials write-off percentage had been maintained at less than 1% of its total inventory in general. Furthermore, the Group has implemented an enterprise resource planning system to manage all production information, which allows the management team to be kept updated with the latest information for better materials and work-in-progress management control. Through the above efforts, the Group is capable of producing a wide range of quality products at reasonable cost.

Strong focus on research and development

As at the Latest Practicable Date, the Group had over 100 engineers, including electronic, mechanical, software and testing engineers who are capable of designing and developing (i) electronic circuits; (ii) software embedded in micro-controllers and testers; (iii) ASIC circuits; and (iv) cabinet parts and all related mechanical assembly parts. The Group's engineers have a strong focus on product realisation, commercialisation and improvements. They turn conceptual designs into deliverable and commercialised products, improve product designs and optimise the production process. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the research and development expenditure amounted to approximately HK$11.0 million, HK$17.1 million, HK$18.8 million and HK$11.9 million, respectively, representing approximately 1.9%, 2.0%, 2.3% and 1.7% of the total revenue, respectively.

The Group has invested, and will continue to invest, resources in research and development in order to keep its products up-to-date and enable its products to enter into potential and/or new market segments. By continuing such investments, the Directors consider that the Group can provide more complex products of higher quality in a cost-effective manner, increase its business with existing customers and attract new customers which will increase the Group's market share in the EMS industry.

Strong and stable management team with extensive industry experience

The Group's management team brings years of experience and leadership to the Group in the EMS and/or branded business industry. Most of the executive Directors have been with the Group since the commencement of the Group's business and most of them have been shareholders of the Group's subsidiaries since 1992. Each of the following executive Directors, Mr. Cheng, Mr. KY Ng, Ms. Fok and Mr. KB Lee, as well as most of the members of the senior management possess more than 20 years of experience in the EMS and/or branded business industry. With their expertise and experience, the Directors believe that the Group's management team possesses the leadership and vision required to anticipate changes in the EMS and/or branded business industry. The Directors further believe that, with the knowledge and experience in EMS and/or branded business industry, the Group's management team will be able to lead the Group to expand its branded businesses successfully.

BUSINESS STRATEGIES

The Group aims to develop its branded businesses by expanding the portfolio of its brands and products. In addition, the Group aims to become one of the leading EMS providers in Hong Kong. In particular, the Group aims to achieve sustainable growth in its revenue and net profit. To achieve the above-mentioned goals, the Group will implement the following strategies:

Acquire and/or license additional brands to expand its branded businesses

Based on the Group's experience in its branded businesses, the Directors consider that the Group is in a position to capitalise on potential brand acquisition and licensing opportunities. The Group will assess the opportunities to acquire or license additional brands from time to time in order to expand the portfolio of its brands and products for its branded businesses. The Group is selective in introducing additional brands into its portfolio. When considering whether a prospective brand should be introduced into its portfolio, the Group would take into account whether the prospective brand: (i) is a reputable brand in the global or regional market; (ii) allows the Group to have a high degree of supply chain management; and (iii) may provide stable income and may present growth potentials to the Group.

Focus on potential market segments to target higher profit margin opportunities

The Group intends to target at niche market segments and develop new and higher profit margin products. The Group has identified the following market segments of consumer electronic products which the Directors believe to have potential growth opportunities: (i) medical electronic products; and (ii) car electronic products. The Group will deploy advanced production technologies to further capture its existing and potential market segments and expand its products portfolio.

For the medical electronics market, the Group has already obtained ISO13485 and FDA registration to facilitate its manufacturing of qualified medical electronic products. Moreover, the Group has secured an EMS customer to supply teeth whitening products and the first shipment was made in December 2010. For the car electronics market, the Group has been producing car electronic products such as GPS and motor controls, in small quantity, for car usage for several customers. The Group intends to expand related sales activities with existing as well as other potential customers. The Directors are of the view that while this will not involve a change in the Group's business focus, it also enables the Group to further expand and broaden its product range in the EMS segment. For the risks associated with such expansion of market segment, please refer to the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus.

Strengthen the Group's sales and marketing effort and enhance its relationship with existing customers

The Group currently serves international brand owners of consumer electronic products. The Group will continue to identify other international brand owners so as to further broaden its customer base in terms of product types and segments served. The Group will establish new overseas sales and marketing teams, such as in Japan. The Group seeks to strengthen and capitalise on its relationships with its existing major EMS customers, to expand and widen its customer base by customer type, end-market application and geographical regions. The Group seeks to establish and maintain long-term relationships with its EMS customers by participating in their product development and new product introduction cycles and thereafter providing them with one-stop solutions from research and development to after-sales services. The Group will also participate in more trade exhibitions and place more advertisements in trading magazines in relation to customer products to further develop its relationships with potential customers.

Improve production technologies and devote more resources to research and development

The Group seeks to conduct new product development and introduces products that address prevailing and expected changes in customer demand. The Directors believe that continued investment in the latest production technologies and focusing on research and development are essential to the Group's continued success and business development. The Group's research and development department will continue to conduct researches on the latest technologies to deliver innovative products and solutions to its customers. In addition, in order to further augment its research and development capabilities, the Group will also continue to cooperate with its customers and/or universities to jointly develop innovative products and solutions. The Group will also seek to improve its product design and engineering, and to develop and implement more cost-effective production procedures such as adopting more advanced processing technologies, further automating its production process and reducing its production costs.

Expand and upgrade the Group's production facilities

The Group will continue to invest in production lines and equipment. Given that the production capacity of the Group's automated and semi-automated production facilities are saturated during the peak seasons, the Group has to further expand its production capacity by adding new machineries and production lines including SMT machines, plastic injection machines and assembly lines. The Group will also increase its production capabilities for assembly.

Strengthen the Group's existing branded businesses and develop its own brands

Brand awareness and recognition are important to the Group's success. The Directors believe that the Group can continue to develop the existing "RCA" and "TrekStor" brands and further increase recognition of these brands in North America and Europe, respectively, through advertising media such as newspapers, magazines and the Internet. The Directors believe that as the Group continues to develop its existing "RCA" and "TrekStor" brands through carefully planned marketing campaigns, the Group's revenue and net profit will be increased. The Group will set up sales offices or enter into distribution arrangements as and when opportunities arise. Leveraging on the existing "RCA" and "TrekStor" brands, the Group intends to further broaden its product portfolio and, in the long run, introduce other branded products. In addition, the Group aims to continue to maintain flexibility in its product development, including moving into other product categories where appropriate.

BUSINESS MODEL

The Group's principal business activities are classified into two categories: (i) EMS business; and (ii) branded businesses. The Directors consider that the Group's business model is characterised by the following:

(i) under a distribution network across North America and Europe, the Group distributes products under the "RCA" and "TrekStor" brands, which the Directors believe to have established market presence, customer brand loyalty and growth potential in their respective geographical regions; and

(ii) the Group maintains its market position by serving its EMS and branded businesses customers with a broad range of services offering higher profit margin niche products, new ideas and innovating solutions, and the maintenance of good relationship with customers.

The table below sets forth the revenue generated by the Group's EMS business and branded businesses, in absolute amounts and as a percentage of the Group's total revenue from external customers, for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
EMS business	564,052	100.0	848,492	100.0	681,876	82.9	430,249	86.6	468,673	68.0
Branded businesses	–	–	–	–	140,022	17.1	66,545	13.4	220,868	32.0
Total	564,052	100.0	848,492	100.0	821,898	100.0	496,794	100.0	689,541	100.0

EMS business

The Group offers one-stop solutions to its EMS customers including research and development, sourcing and procurement, production, sales and logistics and after-sales services. During the Track Record Period, a considerable proportion of the Group's revenue under the EMS segment was generated from its ODM customers to whom the Group provided one-stop solutions including research and development, sourcing and procurement, production, sales and logistics and after-sales services. Set out below is a chart which depicts the EMS business model of the Group:

- In-house research and development teams with extensive exposure and experience in software, hardware and mechanical design and engineering which offer broad range of solutions such as circuit design and ASIC design

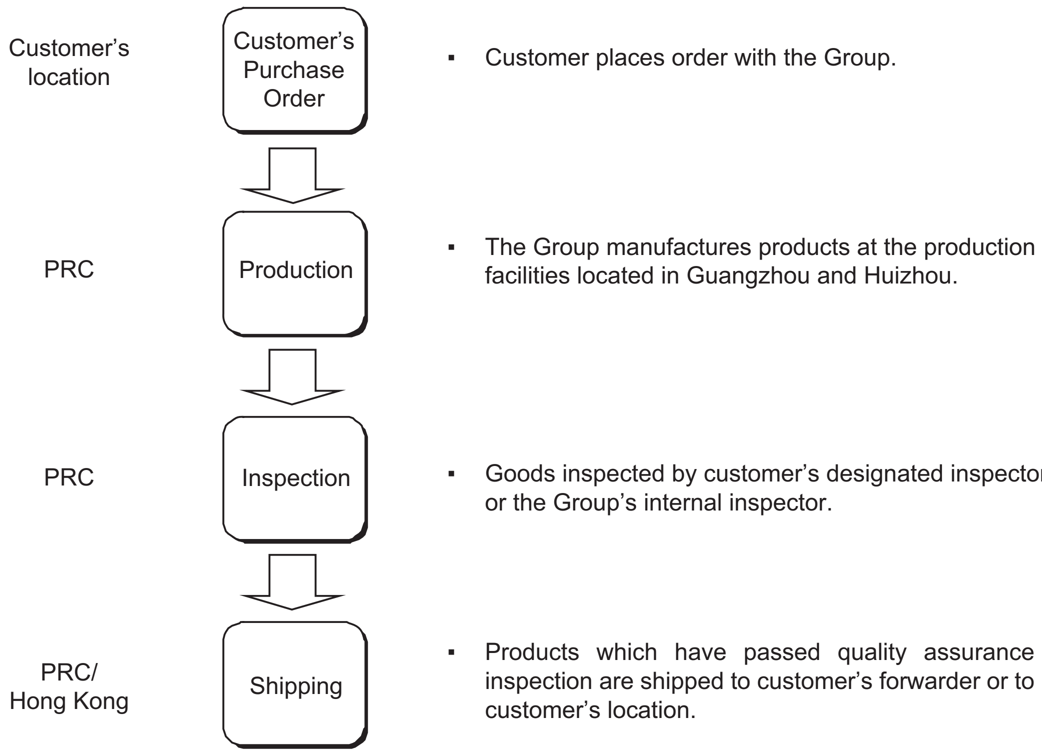
- Experienced management dedicated to efficient planning of manufacturing resources and global procurement of raw materials and components from geographically diverse suppliers to ensure cost competitiveness, stability and timeliness of supplies

- Wide range of assembly and manufacturing capabilities and customised design of production facilities and careful planning on equipment investment enabled high flexibility in ramping up operations to high volume production
- Stringent quality assurance procedures to guarantee high quality products

- Extensive selection of logistics planning and execution services including import/export management and global direct drop shipment and distribution services tailored to meet different needs from diverse customers

- Customer-oriented with a strong dedication to strive for full protection of customers' proprietary rights whilst continuing to uphold its commitment to providing quality products and timely delivery

The key steps involved in the EMS production flow are as follows:



Branded businesses

The Group's branded businesses mainly comprise distribution of SMB phone systems under the "RCA" brand in North America and 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. The Group's branded products were marketed and distributed to retailers such as office and equipment supplies superstores and electronics superstores and various authorised distributors in North America and Europe (as the case may be). For the year ended 31 December 2009 and the eight months ended 31 August 2010, the Group had 61 and 74 customers for its branded businesses, respectively, who are mainly retailers and distributors. The revenue generated from the Group's branded businesses accounted for approximately 17.1% and 32.0% of the Group's total revenue for the year ended 31 December 2009 and the eight months ended 31 August 2010, respectively.

Licensed brand products distribution business in North America

The Group has been producing SMB phone systems since 2005, in which it started manufacturing SMB phone systems as an EMS provider for its customers, such as Thomson Inc. In February 2009, in addition to manufacturing SMB phone systems under the "RCA" brand, the Group commenced the distribution of SMB phone systems under the "RCA" brand in North America through a licensing arrangement. The SMB phone systems under the "RCA" brand includes two-line and four-line SMB phone systems.

With a view to entering into the licensed brand business in North America, the Group entered into the RCA Agreements to (i) purchase certain assets and equipment; and (ii) obtain an exclusive licence to distribute the SMB phone systems under the "RCA" brand in North America.

Asset purchase

Pursuant to the RCA Asset Purchase Agreement, the Group agreed to purchase from Thomson Inc., an Independent Third Party, certain assets and equipment including all raw materials, work-in-progress, finished goods, inventory and the design and tooling of the specified models in connection with the SMB phone systems under the "RCA" brand.

Licensing arrangement

Pursuant to the RCA Licence Agreement, RCA Trademark Management SAS ("**RCA Management**"), a fellow subsidiary of Thomson Inc. and an Independent Third Party, granted to the Group an exclusive licence to distribute SMB phone systems bearing the "RCA" trademark in North America from 1 March 2009 to 31 December 2013.

Set out below are summaries of the major terms of the RCA Licence Agreement:

- ***licence*** – RCA Management granted an exclusive licence to the Group to:

  (i) use the "RCA" trademark in connection with the advertising, promotion, sale and distribution of pre-approved models of SMB phone systems in North America;

  (ii) affix and/or display the "RCA" trademark on or to packaging, instruction books, advertising and promotional materials in North America; and

  (iii) manufacture or have the pre-approved models of SMB phone systems bearing the "RCA" trademark manufactured within or outside North America;

- ***guaranteed payments*** – the Group agreed to guarantee a minimum royalty payment calculated based on the estimated sales of SMB phone systems by mutual agreement for each of the calendar years during the term of the RCA Licence Agreement (the "**Estimated Sales**"). In the event that the Group could not reach the Estimated Sales for a particular calendar year, the Group shall still be liable to pay the minimum royalty payment as agreed for that particular year;

- ***consideration*** – the Group shall pay a royalty fee based on a percentage of the net sales or the Estimated Sales of SMB phone systems made by the Group (whichever is higher) *(Note)*;

Note: The royalty fee paid by the Group for the year ended 31 December 2009 and the eight months ended 31 August 2010 accounted for less than 1.0% of the Group's total revenue for the corresponding periods. The Group treated the consideration to be paid under the RCA Licence Agreement as contingent consideration, which is an estimated discounted cash value of future payment of royalty fee calculated by a percentage on net sales budgeted by the Group or the Estimated Sales of SMB phone systems.

- ***reporting obligations*** – the Group is obliged to submit a complete and accurate report in the agreed form of the net sales of each pre-approved model of the SMB phone systems;

- ***design alteration or new design*** – the Group may alter the designs or introduce new designs of the SMB phone systems under the "RCA" trademark with prior approval (whether express or implied) by RCA Management *(Note)*;

- ***quality control*** – the Group is obliged to submit sample products to RCA Management for prior quality examination in the form prior to commercial production and distribution of the relevant products;

- ***ownership of altered designs and marketing materials*** – authorship of all the created works bearing the "RCA" trademark shall be deemed property of RCA Management; and

- ***termination rights*** – if a breach of the RCA Licence Agreement is not cured by the Group within 30 calendar days after a notice is served on the Group for such breach, RCA Management may terminate the RCA Licence Agreement with immediate effect.

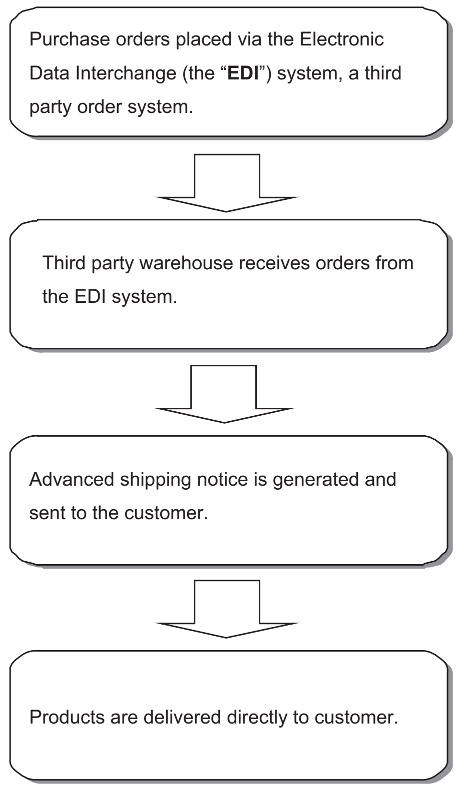
The Group has started preliminary discussion to renew the RCA Licence Agreement with RCA Management upon the expiration of the RCA Licence Agreement. However, in the event that the RCA Licence Agreement is not renewed, the Group will develop its SMB phone systems distribution business in North America either through its own developed brand or other brands to be acquired by the Group.

SMB phone systems distribution business

The SMB phone systems under the "RCA" brand distributed by the Group in North America include two-line and four-line SMB phone systems with different features such as corded, cordless, VoIP, intercom and conferencing features. These SMB phone systems are mainly produced by the Group's production facilities in Guangzhou and Huizhou. TFNA (US) was established to coordinate and operate the distribution business of SMB phone systems under the "RCA" brand to office supplies and equipment superstores and other distributors in North America. TFNA (US) is also responsible for assessing the qualification of the authorised distributors on continuing basis and negotiate the terms of distributorship agreements. TFNA (US) liaises with its customers in North America to enquire the estimated orders that may be made by such customers within two to three months, then projects the estimated demand for SMB phone systems to the Group's production plants in the PRC. The Group's production plants in the PRC will manufacture such quantities of SMB phone systems according to the projected demands. The SMB phones, which are manufactured according to the projected demands, will be delivered to the warehouse service provider in North America, an Independent Third Party.

Note: During the Track Record Period, the Group has altered or developed seven existing or new designs of SMB phone systems to cater to customers' demand.

The key steps involved in the licensed brand products distribution business in North America are as follows:



The Group enters into supply agreements with its customers, including office supplies and equipment superstores in North America. In addition, the Group enters into distributorship agreements with certain Independent Third Parties to qualify them as its authorised distributors to distribute SMB phone systems under the "RCA" brand in North America. Please refer to the paragraph headed "Marketing and distribution – Branded businesses" under the sub-section headed "Sales and marketing" in this section for further details of the marketing and distribution arrangement in North America.

To facilitate the placement of purchase orders for SMB phone systems, the Group engages an Independent Third Party to operate an online EDI-based ordering platform. Upon receipt of purchase orders from its customers or distributors, the Group arranges for transportation of SMB phone systems to the destination designated by the customers or distributors. In general, the Group keeps three months' inventory including goods in transit for its branded businesses to cater to the demands of its customers and distributors.

Own brand products distribution business in Europe

In November 2009, the Group acquired certain assets and liabilities of TrekStor GmbH & Co. KG (in liquidation) under the TrekStor Transfer Agreement, including the assembly and/or distribution business of portable storage devices and/or multimedia products under the "TrekStor" brand. The Group's branded products marketed and distributed in Europe mainly comprise (i) portable storage devices such as USB memory sticks and hard disk drives; and (ii) multimedia products such as MP3 players and home entertainment devices. Please refer to the paragraph headed "Branded businesses – Portable storage devices and multimedia products under the "TrekStor" brand" under the section headed "History, Reorganisation and Group Structure – History and business development of the Group" in this prospectus for further details.

Arrangement with TrekStor GmbH & Co. KG (in liquidation)

Pursuant to the TrekStor Transfer Agreement, the Group acquired certain outstanding contractual obligations, tangible assets and intellectual property rights from TrekStor GmbH & Co. KG (in liquidation). The outstanding contractual obligations comprised mainly (i) purchase orders and sales contracts with the customers of TrekStor GmbH & Co. KG (in liquidation); (ii) lease agreements in connection with business premises and warehouse; (iii) outstanding obligations under insurance contracts; and (iv) the employment contracts. As at the Latest Practicable Date, the outstanding contractual obligations were settled either by due performance of the contractual obligations, the expiration of the contracts or entering into of new agreements. The tangible assets acquired by the Group include office furniture, assembly machineries and motor vehicles previously used by TrekStor GmbH & Co. KG (in liquidation) for its business operation whilst the intellectual property rights acquired by the Group mainly comprised the "TrekStor" trademarks, the "TrekStor" domain names, certain patents and petty patents.

In addition, under the TrekStor Transfer Agreement, it is agreed that a contingent consideration in an amount of not more than Euro 500,000 will be paid to TrekStor GmbH & Co. KG (in liquidation) in the manner as set out below:

- TrekStor (HK) is obliged to pay TrekStor GmbH & Co. KG (in liquidation) the higher amount of (i) 10.0% of the total profits of TrekStor (HK) and TrekStor (Germany) (the "**Aggregate Profits**") of the next five years, whereas annual losses in this period will be deducted; or (ii) 5.0% of the profit for each year for the next five years, whereas payments are only due for years of profits, and in any event, not more than Euro 250,000 in the five-year period; and

- TrekStor (Germany) is obliged to pay TrekStor GmbH & Co. KG (in liquidation) the higher amount of (i) 10.0% of the Aggregate Profits of the next five years, whereas annual losses in this period will be deducted; or (ii) 5.0% of the profit for each year for the next five years, whereas payments are only due for years of profit, and in any event, not more than Euro 250,000 in the five-year period.

Portable storage devices and/or multimedia products assembly and/or distribution business

The Group's portable storage devices and multimedia products under the "TrekStor" brand include USB memory sticks, hard disk drives, MP3 players and home entertainment devices. In addition to the distribution business in Europe, the Group also conducts assembly of portable storage devices in Germany. The Group sources components from Independent Third Parties for assembly purpose.

The key steps involved in the own brand products distribution business in Europe are as follows:

Germany	The Group orders products from various suppliers, goods are stocked or are made pursuant to the purchase order.
	⇩
Various countries	Products available from warehouse.
	⇩
Various countries	Goods are subject to quality control by Independent Third Parties.
	⇩
Germany	Transport of goods to Germany.
	⇩
Germany and other European countries	Sale and shipment of products from warehouse in Lorsch to customers in Germany and other European countries including Italy, Spain, Poland and Sweden.

New supply agreements and distributorship agreements were entered into with the Group's customers and authorised distributors, including electronics superstores and other retailers mainly in Germany and various other countries in Europe. Please refer to the paragraph headed "Marketing and distribution – Branded businesses" under the sub-section headed "Sales and marketing" in this section for further details.

PRODUCTS

Product types

As at the Latest Practicable Date, the Group offered over 20 types of products which can be broadly classified into two categories, namely, telecommunications and non-telecommunications products. The Group's non-telecommunications products include (i) appliances and appliances control products; (ii) computer accessories; (iii) multimedia products; and (iv) beauty care equipment. The following table sets forth a breakdown of the Group's gross profit and gross profit margin ("**GPM**") for its products from external customers for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
		GPM		GPM		GPM		GPM		GPM
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000*	*%*
							(unaudited)			
Telecommunications products	19,075	5.8	31,078	8.7	48,936	17.0	28,365	16.8	43,443	21.3
Non-telecommunications products	47,180	20.0	105,252	21.4	138,796	26.0	87,754	26.7	109,022	22.5
Total gross profit and overall GPM	66,255	11.7	136,330	16.1	187,732	22.8	116,119	23.4	152,465	22.1

Revenue generated from the sales of one of the Group's appliances and appliances control products, namely automatic aerosol dispensing systems, accounted for a substantial portion of the Group's revenue generated from its EMS business during the Track Record Period. The Group manufactured and sold automatic aerosol dispensing systems pursuant to a supply agreement (the "**AADS Supply Agreement**") with one of its customers, being an Independent Third Party (the "**AADS Customer**").

Pursuant to the terms of the AADS Supply Agreement, the AADS Supply Agreement shall be valid until terminated as follows:

- the AADS Customer may terminate the AADS Supply Agreement by serving not less than 30 days written notice on the Group;

- in the event that the AADS Customer fails to make timely payment pursuant to the provisions under the AADS Supply Agreement and such failure is not cured within 30 days upon receipt of written notice from the Group;

- in the case of gross and wilful negligence by the other party, termination may take immediate effect; and

- either party thereto may terminate the AADS Supply Agreement with immediate effect upon commencement of a voluntary or involuntary proceeding under any bankruptcy, insolvency, reorganisation, liquidation, dissolution, or similar law, or the appointment of a successor, trustee, custodian, sequestrator, liquidator, receiver, or similar official with respect to the other party thereto, or the winding-up or liquidation of the other party therein, effective upon giving written notice of termination.

In the event that the AADS Supply Agreement is terminated by either party thereto, the Group would focus on its business strategies to develop its business in the medical electronics and car electronics market segments. Please refer to the paragraph headed "Focus on potential market segments to target higher profit margin opportunities" under the sub-section headed "Business strategies" in this section for further details.

Telecommunications products

The Group's telecommunications products are categorised as follows:

Corded/cordless residential telephone

A corded/cordless combo phone using various digital technology at 1.9/2.4 GHz frequency for communication.

*Two-line SMB phone system**

A two-line corded/cordless small or medium business phone with multi-handset using 1.9GHz DECT 6.0 digital technology.

*Four-line SMB phone system**

A four-line corded/cordless small or medium business phone system with intercom and conferencing features.

* *Price range of SMB phone systems as at 31 August 2010: approximately HK$170.0 to HK$1,280.0*

Non-telecommunications products

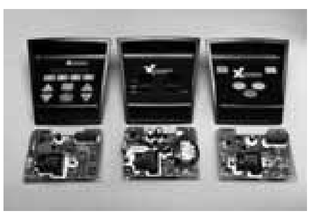
The Group's non-telecommunications products are categorised as follows:

Appliances and appliances control products

Security token

Internet security token/device for Internet banking use.

Blender control panel



A control module for an industrial grade blender's control panel.

The Group also produces automatic aerosol dispensing systems for dispensing chemicals on fumigate.

Computer accessories

Portable hard disk drive*

A card size hard disk drive as a data station.

Pico projector

A very small size portable projector employing DLP technology.

* *Price range of portable hard disk drives ("**HDD**") devices and portable non-HDD devices as at 31 August 2010: approximately HK$209.0 to HK$1,464.0 and HK$49.0 to HK$565.0, respectively*

*Multimedia products**

Audio/video receiver

A high-end home theatre system for entertainment with AM/FM radio receiver.

DVD receiver music centre

A mini-home theatre system with AM/FM radio receiver.

Movie station

A high-definition media center that can interface with the Internet and various digital storage devices to provide high definition movies/pictures for television.

Wireless remote speaker

A device to playback the music to speaker through wireless link with no speaker wires.

Network movie station

A device to enable viewing of Internet content on television.

* *Price range of HDD multimedia products and non-HDD multimedia products as at 31 August 2010: approximately HK$482.0 to HK$1,821.0 and HK$62.0 to HK$1,671.0, respectively*

iPod docking station

A device which extends the function of iPod to a multimedia centre.

Beauty care equipment

Electro-muscular simulator

A muscular simulator using adjustable high frequency to massage the body.

Ultra-sonic facial and/or body massager

A facial massager using ultra sonic frequency to gently massage the face.

Body fat analyser

A hand held body fat analyser which measures the body fat.

CUSTOMERS

The Group's EMS customers are mainly international brand owners of consumer electronic products, including brand owners of "Pioneer" and "Vasco", the aggregate revenue generated from whom accounted for approximately 42.6%, 26.6%, 26.0% and 19.2%, respectively, of the Group's total revenue for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010. As at the Latest Practicable Date, the Group had over 20 major EMS customers, spreading across Japan, the Asia-Pacific region, the Americas and Europe. The Group has established long-term business relationships with its major EMS customers for more than five years. The Group proactively explores and seeks collaborative opportunities with its key customers. In respect of the Group's branded businesses, whilst the major customers of the SMB phone systems under the "RCA" brand are mainly office supplies and equipment superstores and other distributors in North America, the major customers of portable storage devices and multimedia products under the "TrekStor" brand are mainly electronics superstores and other retailers mainly in Germany and various other countries in Europe. As at the Latest Practicable Date, the Group had over 70 branded business customers in Europe and North America.

Sales to the Group's five largest customers, all being Independent Third Parties, accounted for approximately 84.4%, 77.7%, 68.6% and 70.3% of the Group's total revenue for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. Sales to the largest customer of the Group accounted for approximately 28.7%, 25.6%, 28.7% and 33.1% of the Group's total revenue for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. None of the Directors or any of their respective associates, or any Shareholder who owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date, held any interest in any of the Group's five largest customers during the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010.

SALES AND MARKETING

The Group's sales and marketing strategies focus on providing an extensive portfolio of quality consumer electronic products to niche market segments, with attentive after-sales services in order to foster customer loyalty.

Marketing and distribution

EMS business

The Group's sales and marketing team and project management team maintain a direct dialogue and work closely with its customers in order to ensure that their specifications and expectations are met. During the Track Record Period, the Group had provided on-site space and facilities in its production sites for certain EMS customers to conduct product quality assurance testing.

Branded businesses

The Group relies on its sales and marketing team to promote and distribute its branded products to retailers, such as office supplies and equipment superstores and electronics retailers in North America and Europe (as the case may be). The Group also engages authorised distributors to promote its branded products to other retailers: (i) in North America, authorised distributors have been engaged to promote the Group's branded products to small retailers; and (ii) in Europe, authorised distributors have been engaged to promote the Group's branded products to customers outside Germany.

Licensed brand business in North America

The Group currently distributes a range of SMB phone systems under the "RCA" brand, which are marketed and distributed to office supplies and equipment superstores and other distributors in North America. The Group maintains a team of sales representatives in the US for its SMB phone systems distribution business in North America. Its sales representatives pay visits to the headquarters of such office supplies and equipment superstores and other distributors.

The Group appointed four authorised distributors for its licensed brand business in North America for each of the year ended 31 December 2009 and the eight months ended 31 August 2010. The Group has not developed and entered into any standard distributorship agreements with its authorised distributors, thus the terms of the distributorship agreements may vary on a case-by-case basis.

Own brand business in Europe

Portable storage devices and multimedia products under the "TrekStor" brand have been marketed and distributed to electronics superstores and other retailers mainly in Germany and various other countries in Europe. The Group maintains a team of sales representatives in Germany for its portable storage device and multimedia product distribution business in Germany. The sales representatives pay visits to major electronics superstores in Germany. In relation to the marketing activities in other countries in Europe such as Sweden, the Group relies on its authorised distributors, who are Independent Third Parties, to promote its products and "TrekStor" brand awareness.

The Group appointed nine and 21 authorised distributors for its own brand business in Europe for the year ended 31 December 2009 and the eight months ended 31 August 2010, respectively. Similar to the Group's licensed brand business in North America, the Group has not developed and entered into any standard distributorship agreements with its authorised distributors, thus the terms of the distributorship agreements may vary on a case-by-case basis.

Distributorship arrangement

The Group has adopted a set of uniform procedures to review and approve the distributorship agreements with its authorised distributors in North America and Europe. The major terms of the distributorship agreements may include:

- ***exclusivity*** – the Group may grant exclusive or non-exclusive distribution rights to its distributors: (i) in North America, it is the Group's policy to grant non-exclusive distribution rights; and (ii) in Europe, the Group adopts the policy to engage exclusive distributor to promote its products in a particular country;

- ***pricing policy*** – the Group requires the authorised distributors to sell the products in accordance with the price lists provided by the Group in North America and Europe, and the Group requires its authorised distributors to sell the products at a minimum price set by the Group;

- ***distributorship fee or commission policy*** – the authorised distributors generally do not receive commission, instead, they are entitled to purchase the Group's branded products at a discount on the relevant retail price;

- ***credit terms*** – the Group usually grants 30 to 180 days credit terms to its authorised distributors;

- ***minimum purchase target*** – the Group has not set any minimum purchase target for its authorised distributors, however, the Group usually requires its authorised distributors to place a minimum amount per purchase order;

- ***product liability*** – the Group usually guarantees that the quality of the products provided are in compliance with the requirements under the applicable laws and regulations in the US, Canada, Germany or the European Union (as the case may be);

- ***defective goods*** – any defective goods may be returned to the Group for replacement or refund;

- ***duration*** – the Group usually enters into distributorship agreements with its authorised distributors on an annual basis;

- ***confidentiality*** – the authorised distributors are required to keep any confidential information provided by the Group, such as price lists and supply sources confidential; and

- ***termination*** – the distributorship agreements may be terminated by the Group by serving written notice on the authorised distributors or on an occurrence of events of default as stated in the relevant distributorship agreements.

For the year ended 31 December 2009 and the eight months ended 31 August 2010, the amount of defective goods returned to the Group for replacement or refund by its authorised distributors in North America and Europe was approximately HK$8.1 million and HK$15.3 million, respectively.

The Directors are considering to formulate a standard distributorship agreement which will include the above-mentioned major terms for its licensed brand business in North America and own brand business in Europe which is expected to become effective by early 2011. The Directors will consider to sign the newly adopted standard distributorship agreement with its authorised distributors after expiry of the existing distributorship agreements with certain variations to be made upon different circumstances. Given that the Group has adopted a set of uniform procedures to review and approve the distributorship agreements with its authorised distributors in North America and Europe, the Directors are of the view that the lack of standard distributorship agreement as at the Latest Practicable Date would not expose the Group to any material risks.

The authorised distributors are the Group's customers as they purchase the products from the Group and re-sell such products to retailers. Certain distributors in North America are entitled to receive commission which is calculated based on a certain percentage of the amount of products sold by them. The Group records sales in its accounts whenever shipment was made to its authorised distributors. Since June 2010, the Group has also engaged an Independent Third Party (the "**Inventory Vendor**") to distribute its portable storage devices and multimedia products under the "TrekStor" brand in Germany and Austria on consignment basis. The Group treats such Inventory Vendor as independent warehouse service provider and sales are recorded when the Inventory Vendor sells the products to a customer. As at 31 August 2010, the outstanding consignment inventory amounted to approximately HK$1.1 million. To the best knowledge of the Directors after making reasonable enquiries, the Directors are not aware of any past or existing relationship between the Inventory Vendor and each of the Group's authorised distributors.

Promotion

From time to time, the Group participates in exhibitions and international trade fairs in relation to consumer electronic products, such as Centre of Office and Information Technology (CeBIT), Internationale Funkausstellung Berlin (IFA), Hong Kong Electronics Fairs and National Electronic Packaging and Production Conference (NEPCON). These marketing activities keep the Group's management abreast of industry trends, interacting with existing customers, cultivating new relationships and building brand awareness.

The Group's websites serve as an effective promotional platform for its products as well as a communication channel with its customers. The information provided in the websites includes the Group's news and culture, promotional activities, service and management, and information about products of the Group's EMS and branded businesses.

Pricing policy

All EMS sales are conducted on the basis of purchase orders, the prices for which are negotiated on a case-by-case basis with each customer. The Group typically enters into sales contracts with most of its customers. The selling prices of the Group's EMS products are determined based on a number of factors including (i) production costs (including costs of raw materials and components); (ii) manufacturing overheads, size of order and shipping destination; and (iii) the market demand and potential sales of such product. The Group adjusts the prices of its products according to the variations of the above-mentioned items.

In terms of its branded products, the Group determines the relevant prices based on (i) the production costs of the products; and (ii) the market prices of similar products. In order to fix competitive prices for the branded products, the Group's sales and marketing teams in North America and Europe maintain close dialogues with its customers, including superstores and distributors, which allows them to understand the market demand and obtain customers' feedback.

Credit policy and credit control

The Group offers various sales terms to its customers, which are based on a number of factors, including product type, size of order, production costs and credit worthiness of a particular customer. The Group may offer credit terms to its customers ranging from 30 to 180 days. The customers generally settle the payments in Euro or U.S. dollars either by letters of credit, bank remittance or cheques. The finance department is responsible for preparing monthly statements to the Group's customers, monitoring credit history and outstanding balances of each customer. It is also responsible for collecting payments from customers. In the event that there is an overdue balance, the finance department will alert the sales and marketing team and the senior management of the Group, who will liaise with the customers to seek prompt settlement of the overdue balance.

For new customers, the Group will evaluate the customer's credit worthiness by considering the customer's financial standing and operating track record and by engaging the Group's industry contacts and credit search agencies to conduct credit searches. Based on the information obtained, the Group will decide the actual credit terms and limits to be granted. From time to time, the Group may also obtain factoring of debts of certain customers to minimise the risk of any impact on the Group upon default by such customers.

The Group has adopted a policy of making specific provision for outstanding trade receivables. The provisions for doubtful debts are made based on the management's judgment following an evaluation of aging analysis, past payment history, recent news and information about the debtor which results in a thorough assessment of the recoverability of the outstanding receivables. No general provision for doubtful debts will be made. Instead, trade receivables will be evaluated on an individual basis with specific provision for doubtful debts being made when necessary. The Group had not experienced any material payment defaults from its customers during the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group recorded net allowance for bad and doubtful debts in the amount of approximately HK$1.7 million, HK$0.9 million, HK$0.2 million and nil, respectively.

Seasonality

The Group's revenue during the Track Record Period had been subject to significant seasonal fluctuation, as the sales orders during the period from July to December are often higher than that during the period from January to June. For the three years ended 31 December 2007, 2008 and 2009, the average revenue of the Group for each of the second half year was approximately 39.2% more than the revenue for each of the first half year. The Directors believe that this pattern is likely to continue in the foreseeable future.

AFTER-SALES SERVICES

Maintenance and repair services

The Group places a strong emphasis on customer service and therefore maintains an after-sales service network. The after-sales services are easily accessible, as the Group offers a hotline to handle enquiries and orders for after-sales services. For the Group's EMS products, its customers may return products with quality problems to the Group for replacement.

The Group engages Independent Third Parties to operate a 24-hour call centre in North America and Europe so that any queries from the end-users of its branded products may be promptly attended. For the Group's branded businesses, the customers may return goods with quality problems within a prescribed time limit to the Group. The Group will engage engineer(s) who is/are Independent Third Party(ies) to test the quality problems of SMB phone systems under the "RCA" brand in the event that the designated call centre could not resolve the customers' enquiries. In relation to portable storage devices and multimedia products under the "TrekStor" brand, the Group has its own in-house engineers in its repair centre in Germany to repair the products with quality problems.

Sales return policies

In terms of the Group's EMS business, the Group liaises with its EMS customers for any alleged quality problems on a case-by-case basis. Unless the products suffer from fundamental failure or are recalled, the Group is not obliged to accept sales return by its EMS customers. In the event where there are sales return by its EMS customers, such costs will be borne by the Group. In relation to the branded businesses, the Group usually provides a two-year product warranty to its customers. As a result, if the Group receives complaints on the quality of the products, the Group will either repair or replace the relevant products. Pursuant to a supply agreement entered into between the Group and one of its major customers based in the US, such customer could return any products to the Group without provision of reasons under the "Return to Vendors" programme. For the year ended 31 December 2008, in light of the potential financial impact on the US economy arising from the subprime mortgage crisis, the Group made a general product warranty provision of approximately HK$5.0 million to cater to the possible increase in sales returns from such customer which was based in the US. In addition, a specific product warranty provision of approximately HK$4.9 million was made for the year ended 31 December 2008 for the estimated value of sales return from one of the Group's major customers due to design defect made by the Group. The approximately HK$4.9 million specific warranty provision had covered all the relevant costs in relation to the sales return of the relevant products. The design defect of this product was caused by its intermittent operation failure which was not detected during manufacturing and inspection stages. The Group worked closely with the customer to eliminate such design defect. The goods were repaired and received by the customer with satisfaction subsequently. Due to prompt and responsible actions taken by the Group, there were no adverse effects on the business relationship with such customer. Please refer to the sub-section headed "Quality assurance" in this section for the Group's quality assurance procedures for ensuring the quality of its products. With the commencement of branded businesses, additional product warranty provision of approximately HK$6.9 million and HK$4.2 million were made by the Group for its licensed brand business and own brand business, respectively, for the year ended 31 December 2009. All costs in relation to sales return by the Group's branded business customers are borne by the Group.

Save as disclosed above, during the Track Record Period, the Group had not experienced any material product recalls due to quality problems. The Group has been in compliance with all applicable product safety standards in its domestic and overseas markets during the Track Record Period and up to the Latest Practicable Date.

PRODUCTION

The Group offers one-stop solutions to its EMS customers including research and development, sourcing and procurement, production, sales and logistics and after-sales services. During the Track Record Period, a considerable proportion of the Group's revenue under the EMS segment was generated from its ODM customers to whom the Group provided one-stop solutions including research and development, sourcing and procurement, production, sales and logistics and after-sales services. The Group's production activities are mainly conducted in the PRC. The Group also maintains an assembly line in Germany for assembly of portable storage devices under the "TrekStor" brand.

Project team management approach

Set out below is a chart which depicts the Group's project team management approach used in its EMS business:

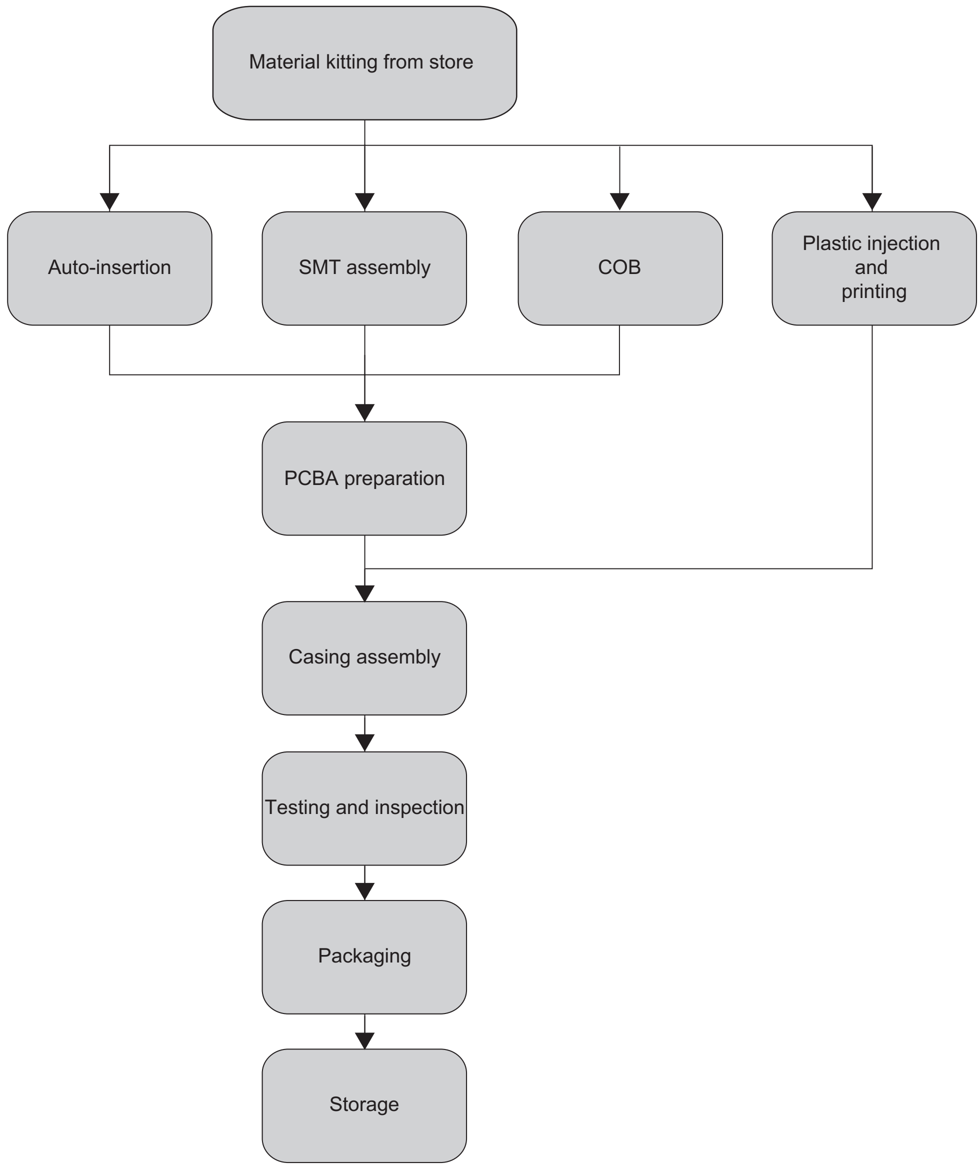
In order to ensure that production runs successfully and smoothly from pilot production to mass production, and to fulfil customer's expectations, dedicated project team management approach is implemented for all projects for the customers. Dedicated project team ("**PJT**") members will follow through the whole project progress including project planning, tracking, budgeting and scheduling. The PJT members' responsibilities include (i) customer service officers to provide a wide-range support per customers' needs on commercial, supply chain and logistics side; (ii) project engineers to look after and communicate with customers on all technical, production, and engineering issues; (iii) quality engineers to assure product quality assurance commitment and on-going product reliability testing to cope with customers' or industry's quality standards; and (iv) research and development engineers to follow through the whole design task for the project to cope with customers' ideas.

Order processing

Upon receipt of customer's purchase order for the Group's products, the Group's various departments will work together on pre-production planning and collaborate to formulate a production plan. Sales representatives will co-ordinate with the production and material control department and the purchasing department to achieve the best materials delivery schedules, confirm the expected product shipment date, and then issue internal sales orders for materials purchase and master production schedule planning. When the materials are ready, the production process will start according to defined production schedule.

Production process

The Group's production process principally involves the following processes:



Note:

Appropriate adjustments to the above processes will be made for individual product production.

After receiving the project confirmation from customers, the Group will design and produce prototypes based on customer's specifications and requirements. Thereafter, the PJT will conduct pre-production and pilot run for production process and product verification. Different tests and inspections are performed to ensure the quality of prototypes. Evaluation is conducted on various aspects including design, materials, workmanship, equipment, process, jigs and fixtures for improvement on production yield, efficiency and processing technologies.

After obtaining customer's final approval of the prototypes from pilot run, the Group will organise the production schedule, and allocate resources including manpower, equipment, tools, fixtures, raw materials and components required for the production. The Group commences production based on the prototypes, product specifications and packaging approved by the customer. The Group's products are generally subject to quality inspection and testing during the production process. The sales representatives of the sales department will monitor the whole production process and communicate with customers for enquiries and to ensure that the products can be completed according to the committed target on expected time of delivery.

Production facilities

The Group is headquartered in Hong Kong. Whilst a majority of its management team, administrative team and research team are located in Hong Kong, most of the Group's production and development activities are carried out in the PRC. The Group's PRC production facilities are located in Guangzhou and Huizhou, and it leases offices in Shenzhen where some of its administrative and development activities are conducted. Furthermore, the Group has warehouses in Hong Kong and Germany, and operates certain facilities for assembly of portable storage devices in Germany.

The following table sets out a brief summary of the Group's production and/or assembly facilities as at the Latest Practicable Date:

Location	**Background**	**Number of buildings and gross or net floor area as at the Latest Practicable Date**
First Industrial Zone, Zhuliao Town, Baiyun District, Guangzhou	Operated by Guangzhou Telefield since October 1992	The production site had four blocks of buildings, occupying a gross floor area of approximately 29,870.3 sq.m.
Technology Park, East of Yongshi Road, Shiwan Town, Boluo County, Huizhou	Operated by Huizhou Telefield since February 2008	The production site had two blocks of buildings, occupying a gross floor area of approximately 12,000.0 sq.m.
64653 Lorsch, Germany	Operated by TrekStor (Germany) since November 2009	The production site had three blocks of buildings, among which, two of them occupying a net floor area of approximately 1,080 sq.m. and the remaining one occupying a gross floor area of approximately 802 sq.m.

The following table shows the maximum annual production capacity, the estimated average utilisation rate and peak month utilisation rate for the Group's SMT production lines, automatic insertion machines and bonding machines for the periods indicated:

	Year ended 31 December			Eight months ended 31 August
	2007	**2008**	**2009**	**2010**
Maximum annual production capacity (million units processed)				
SMT production lines	1,369.4	1,945.9	2,522.5	2,522.5
Automatic insertion machines	140.2	140.2	140.2	140.2
Bonding machines	538.7	1,131.7	1,131.7	1,131.7
Estimated average utilisation rate (%)				
SMT production lines	83.1	92.8	71.6	81.1
Automatic insertion machines	102.2	103.0	81.7	97.7
Bonding machines	104.0	81.1	50.4	60.7
Estimated peak months utilisation rate (%)				
SMT production lines	122.6	135.5	99.9	97.7
Automatic insertion machines	142.1	144.6	126.0	125.2
Bonding machines	137.1	115.1	71.1	82.2

Notes:

(1) Maximum annual capacity for SMT production lines, automatic insertion machines and bonding machines are measured in machine hours and calculated based on the following formula:

Number of machines X Number of units per machine per hour X 22 hours per day X 26 days per month X 12 months.

(2) Estimated average utilisation rates are computed based on the actual number of units produced divided by the estimated maximum annual production capacity, whilst estimated peak month utilisation rates are computed based on the same method on a monthly basis.

(3) Utilisation of the Group's production lines and machines had often exceeded their maximum capacity during the Track Record Period. This was mainly achieved through (i) increasing machine hours by engaging labour to work extra overtime; and (ii) increasing output per machine hour by producing at a rate exceeding the optimal maximum output rate recommended by the machine vendors.

The decrease in the utilisation rates of the Group's SMT production lines, automatic insertion machines and bonding machines was mainly attributable to (i) the slight decrease in the Group's revenue for the year ended 31 December 2009; and (ii) the change in product mix reduced the number of parts processed by these machines as production shifted towards products that required relatively less parts to be processed by these machines.

In order to support the Group's EMS business, as at the Latest Practicable Date, the Group's production sites in Guangzhou and Huizhou were equipped with 17 SMT production lines with machines of international brands. Most of the Group's production facilities, namely, the SMT production lines and COB lines, are standard manufacturing equipment used in the consumer electronic products industry. As such, the Directors believe that the Group's production facilities can be used interchangeably to produce different types of consumer electronic products. The Directors believe that the Group's production facilities and equipment are capable of being used for the production of other types of consumer electronic products for other customers. The Directors further believe that the Group's production facilities only require minor adjustments to accommodate different specific requirements from different customers. To further enhance the Group's technological capabilities and ensure that it is equipped to deliver effective and leading-edge solutions, the Directors intend to invest not less than approximately HK$30.0 million and HK$25.0 million in the expansion of production capability and acquisition of land and buildings, respectively. The Directors intend to finance the investments by the net proceeds of the Share Offer and internal financial resources.

The Group schedules regular maintenance and repair programmes for its production facilities and equipment according to the annual production plans of the Group. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group incurred approximately HK$2.9 million, HK$4.0 million, HK$3.9 million and HK$3.0 million in repair and maintenance expenses, respectively. To the best knowledge of the Directors after making reasonable enquiries, the Group had not experienced any material disruption caused by equipment failure during the Track Record Period.

Value-added services in EMS business

The Group's value-added services form an integral part of the one-stop solutions offered to its EMS customers:

- ***research and development*** – the Group provides research and development services to its customers at their request, any results of research and development belong to the relevant customers;

- ***sourcing and procurement*** – the Group plans the manufacturing resources for its customers and procures raw materials and components from geographically diverse suppliers for its customers;

- ***sales and logistics*** – the Group provides logistics planning and execution services including import/export management, global direct drop shipment and distribution services tailored to meet different needs of diverse customers; and

- ***after-sales services*** – the Group maintains direct dialogue with its customers to enquire their feedbacks on the products supplied by the Group, in particular the quality of the products. Upon request by customers, the Group repairs returned goods from customers and/or re-model products to meet latest market demand change.

During the Track Record Period, a considerable proportion of the Group's revenue under the EMS segment was generated from its ODM customers to whom the Group provided one-stop solutions including research and development, sourcing and procurement, production, sales and logistics and after-sales services.

ENVIRONMENTAL PROTECTION

The Group is committed to conducting its business without adversely affecting the environment. Being an EMS provider, the Group may discharge noise, polluted air, sewage and solid wastes to the environment during its production process. In order to minimise the impact of its production to the environment at its production site in Guangzhou, the Group has established (i) a filtering system to filter the polluted air before discharge; and (ii) a sewage treatment facility to undertake sewage treatment before discharge. The Group has also established a filtering system to filter the polluted air before discharge at its production site in Huizhou. In addition, in order to comply with the applicable environmental laws and regulations in the PRC, the Group engages qualified sewage dealers, who are Independent Third Parties, to deal with highly contaminated sewage and solid wastes in Huizhou. The Directors believe that the Group has undertaken adequate measures to ensure compliance with relevant national and local environmental laws and regulations in the PRC.

As advised by the PRC Legal Advisers and confirmed by the Directors, the Group had been in compliance with all applicable PRC environmental laws and regulations in all material respects and had not been in breach of such laws and regulations during the Track Record Period. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, approximately RMB42,000, RMB964,000, RMB538,000 and RMB48,000, respectively, were incurred in compliance with the applicable environmental laws and regulations in the PRC. The said amount included the waste treatment charges and payment for various waste treatment equipment. The Directors expect the annual costs for future compliance with the applicable environmental laws and regulations in the PRC will be approximately RMB80,000. As at the Latest Practicable Date, the Group has not been subject to any material fines or legal proceedings involving non-compliance with any relevant environmental laws and regulations in the PRC.

In relation to the Group's assembly and maintenance centre in Germany, the assembly and maintenance services conducted in Germany do not discharge any potential harmful substances to the environment. Thus, the Group has not adopted any measures to prevent discharge of harmful substance to the environment. However, in order to protect the environment, any wastes that are recyclable are separated in different containers and sent to waste management service providers who are Independent Third Parties. The legal advisers to the Company as to German law advised the Company with respect to the relevant environmental laws applicable to the Group's operations in Germany. As confirmed by the Company's legal advisers as to German law, the Group has entered into all necessary agreements with waste disposal companies to ensure that the Group is in compliance with all applicable German environmental laws and regulations during the Track Record Period.

In addition to environmental regulations in the PRC, the Group also complies with international environmental regulations and standards. The Group's Guangzhou production facility obtained the ISO14001 (Environmental Management System) certification in 2009. The Group's products which are sold to countries in the European Union are also in compliance with the European Union's directive on RoHS (Restriction of Hazardous Substances Directives 2002/95/EC).

RESEARCH AND DEVELOPMENT

The Directors believe that strong research and development capabilities are crucial to maintaining the Group's competitiveness in the consumer electronic products market. As at the Latest Practicable Date, the research and development teams comprised over 100 skilled and experienced employees and engineers who were principally engaged in research and development for the Group covering electronic, software and mechanical engineering and intellectual property development. The Group's engineers are capable of designing (i) electronic circuits; (ii) software embedded in micro-controllers and testers; (iii) ASIC circuits; and (iv) cabinet parts and all related mechanical assembly parts. The Group's research and development teams developed various new types of telecommunications products, computer accessories and beauty care equipment. The Group's research and development expenses for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010 amounted to approximately HK$11.0 million, HK$17.1 million, HK$18.8 million and HK$11.9 million, respectively, representing approximately 1.9%, 2.0%, 2.3% and 1.7% of the Group's total revenue, respectively.

As an EMS provider, substantially all of the Group's research and development results were properties of the relevant customers as stipulated under the supply agreements. Therefore, although the Group had conducted a number of research and development projects, the Group had not made any patent registration for results from such projects. However, in order to protect the research and development results, it is the Group's policy to require its employees to enter into a non-disclosure agreement.

In addition to the Group's in-house strengths in research and development and its partnership with its customers, the Group may engage external research development resources from tertiary institutions to further strengthen its research and development capabilities. In June 2009, the Group sponsored The Hong Kong Polytechnic University on a project entitled "R&D Platform for New Generation Beam-former for Medical Ultrasound Scanner" in an amount of HK$300,000. The project commenced on 1 April 2010, under which the Group is entitled to enjoy priority use of the research results in the development of ultrasound technology used in beauty care equipment and ultimately in medical equipment. As at the Latest Practicable Date, the Group had not formulated any business plan to utilise the results of the research conducted by The Hong Kong Polytechnic University. Furthermore, the Group has established a research and development centre in the Hong Kong Science Park, employing doctoral or post-tertiary graduates to research and develop technologies that can be used in the Group's future products, including (i) antenna and receivers designed for GPS and satellite products; (ii) Internet video communication platform; and (iii) ultrasound diagnostic and therapy. Building on the Group's experience with The Hong Kong Polytechnic University in ultrasonic imaging technology and coupled with in-house engineers who have prior experiences in the ultrasonic related technology and respiratory monitoring areas, the Group plans to devote both in-house and external resources to the research and development of medical electronic equipment and products in the ultrasonic imaging and respiratory monitoring areas.

QUALITY ASSURANCE

The Group is committed to supplying quality products and providing quality services that consistently meet or even exceed its customers' expectations. The Group has placed a strong emphasis on quality assurance and has adopted stringent quality assurance procedures at different stages of its business operation including the pre-production process, the procurement of raw materials and components and the monitoring of production process and the inspection of finished products to ensure the quality of its products.

The Group's production facilities have obtained various quality standard certifications including ISO9001 certification for its quality management system in 1998 and ISO13485 certification for its management system for design and manufacture of medical device in 2008. The ISO certification process involves subjecting the Group's production processes and quality management system to annual reviews and observations for various periods. Further details of the ISO certifications are set out in the sub-section headed "Accreditations" in this section.

As at the Latest Practicable Date, the Group had a team of more than 400 staff who were responsible for quality control and quality assurance. The Group also has an independent quality assurance department that reports directly to the Group's management on product quality matters. Quality assurance functions are performed throughout the production process from the raw materials and components procurement stage to product delivery stage to ensure that the products can meet the required national standards and certain industry standards applicable to such products. Industry standards for products adopted by the Group include:

(i) IPC-A-610D Acceptability of Electronics Assemblies for PCBA workmanship requirements;

(ii) RoHS (Restriction of Hazardous Substances Directives 2002/95/EC); and

(iii) REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances).

The Group's products are also in compliance with various international safety standards including:

(i) FCC standards – product standards which are applicable to telephone and IT;

(ii) UL standards – standards for product safety;

(iii) CSA standards – standards for product safety and performance;

(iv) China Compulsory Certification – a mandatory certification system concerning product safety in China; and

(v) CE – European Union consumer safety, health or environmental requirements.

The Group's major quality assurance procedures are as follows:

(i) ***Pilot production quality inspection*** – during the product design and development stage, the Group places a strong emphasis on different phases of product qualification to ensure that the products can achieve the optimal design in terms of specification, safety and reliability prior to the beginning of mass production.

(ii) ***Incoming quality inspection*** – the Group performs routine inspections and sample testing on raw materials and components before they are used in the production process to ensure that such materials and components comply with its required quality standards. The Group maintains an approved vendor list which enables the Group to monitor and maintain a stable source of raw materials and components supply, which can meet the required quality and specifications. System checks on new suppliers qualification and current suppliers periodic surveillance covering production capacity, capability and quality system enable the Group to maintain an up-to-date assessment of the suppliers' capability as qualified suppliers.

(iii) ***In-process quality inspection*** – the Group carries out in-process quality inspection at various control points within the production process. The Group's employees are trained and qualified to perform inspection and testing to ensure compliance with product standards and specifications as requested by the Group's customers.

(iv) ***Outgoing quality inspection*** – the Group's quality assurance team performs outgoing inspection and performance test on all finished products prior to their delivery to customers to ensure compliance with required specifications and quality standards. Products which do not meet the quality standards will be returned to the Group's production facilities for corrective actions. In order to meet the customers' quality standards and to minimise the Group's product warranty cost, the quality assurance team will conduct periodic functional and reliability tests on finished products as part of the Group's on-going quality assurance programme.

The Directors believe that these stringent quality assurance procedures contribute to the overall low defective rate of the Group's products. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group incurred approximately HK$9.0 million, HK$15.4 million, HK$18.0 million and HK$13.9 million for net sales return arising from product warranty, representing approximately 1.6%, 1.8%, 2.2% and 2.0% of its total revenue, respectively. The increase in the net sales return arising from product warranty was attributable to the increasing sales under the Group's branded businesses. Please refer to the paragraph headed "Sales return policies" under the sub-section headed "After-sales services" in this section for further details. During the Track Record Period, after taking into account the insignificant amount of net sales return arising from product warranty as compared with the Group's total revenue, the Directors were not aware of any material complaints or claims related to product quality encountered by the Group, or any material sales returns experienced by the Group, which reflected well on its quality control and quality assurance capabilities and reinforced its reputation in the market.

RAW MATERIALS, COMPONENTS AND SUPPLIERS

Raw materials and components

The sourcing and procurement functions of the Group are performed by its purchasing department which works closely with the marketing and engineering teams. The principal raw materials and components used in the Group's production include ICs, PCBs, plastic, motor and battery. The cost of raw materials for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010 were approximately HK$425.8 million, HK$604.5 million, HK$532.2 million and HK$445.7 million, respectively, representing approximately 85.5%, 84.9%, 83.9% and 83.0% of the Group's total costs of goods sold, respectively.

Suppliers

The Group has established business relationships with most of its five largest suppliers for more than five years. The Group has not entered into any long-term supply agreements with its suppliers as the Directors believe that its raw materials and components are not unique in nature and alternative sources can be easily identified. The Group settles its purchases mainly in HK dollars, Renminbi and U.S. dollars and by way of letters of credit, bank remittance and cheques with its suppliers with generally 30 to 90 days credit terms.

The Directors believe that the Group maintains good relationships with its suppliers by (i) implementing a set of transparent suppliers selection procedures by giving the Group's norms of quality requirements and procedures to all of its suppliers; (ii) providing clear communication to the suppliers so that they can approach appropriate staff and/or management if any issues arise; and (iii) visiting its suppliers to maintain the relationships and to review the issues raised from both sides. During the Track Record Period, the Group had not encountered any substantial difficulties in sourcing its raw materials and components and there had been no material legal dispute between the Group and its suppliers.

At the request of the customers at the quotation stage, the purchasing department will often send out the required specifications to a number of suppliers for quotation so as to compare their prices as well as sample quality. It will then choose the most suitable supplier and perform a quality system audit with staff from the engineering, purchasing and quality assurance departments. The Group maintains an approved vendor list for each of its principal raw materials and components and reviews the list periodically.

For products under the "TrekStor" brand, the Group sources semi-finished or finished products from various Independent Third Parties. The semi-finished or finished products will be shipped to Germany and the Group will undergo assembly process and/or various quality assurance and testing procedures before they are distributed under the "TrekStor" brand mainly in Germany and various other countries in Europe.

Generally, the Directors believe that the Group is not dependent on any one supplier for any of the raw materials or components since most of its principal raw materials and components are available from a large number of suppliers in the open market. The Group's five largest suppliers, all being Independent Third Parties, accounted for approximately 29.2%, 23.1%, 22.3% and 25.4% of the Group's total purchases for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The largest supplier of the Group, being an Independent Third Party, accounted for approximately 12.6%, 6.7%, 6.9% and 10.1% of the Group's total purchases for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. None of the Directors or any of their respective associates, or any Shareholder who owned more than 5% of the issued share capital of the Company as at the Latest Practicable Date, held any interest in any of the Group's five largest suppliers during the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010.

INVENTORY CONTROL

The inventory of the Group's operations primarily consists of raw materials and components, work-in-progress, finished goods and goods in transit. The Group's EMS products are produced upon receipt of purchase orders from its customers. The Group employs the Kanban system, a demand pull production system which controls production through the use of demand signals. The use of the Kanban system ensures that the necessary products (or parts) are produced (or acquired) in the necessary quantities within the required time frame. This enables the Group to control its inventory level effectively. For branded products distribution, the Group usually keeps three months' inventory including goods in transit to cater to the changing demand for "RCA" and "TrekStor" branded products, whilst inventory levels for the Group's EMS business are kept at not more than two months on average.

The Group has established internal inventory management procedures to control the logistics and warehousing of its raw materials and components, work-in-progress and finished goods. The Group performs inventory counts on a regular basis for better control and management of its inventories. Generally, provision will be made for inventories which are considered obsolete after taking into account the aging of the inventory items, the movements and usefulness or residual value of the inventories. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group made net provisions for inventory obsolescence of approximately HK$0.3 million, HK$0.9 million, nil and nil, respectively.

COMPETITION

The Group operates in a highly competitive industry characterised by rapid technological development, evolving industry standards and short product life cycles. The EMS industry is fragmented and based on publicly available information, the Directors' industrial knowledge and experience, and having considered companies from across the world, the Directors note that a number of the companies headquartered in Hong Kong are engaged in similar EMS operations including Shinhint Acoustic Link Holdings Limited, Suga International Holdings Limited, Valuetronics Holdings Limited and VTech Holdings Limited.

The Group's overall competitive position depends upon a number of factors, including (i) the availability, performance and reliability of the Group's products; (ii) the Group's manufacturing capacity and capability; (iii) selling prices; (iv) the quality of the Group's manufacturing processes; (v) the breadth of the Group's product line; and (vi) the Group's ability to participate in the growth of emerging technologies.

The Group's competitors may have substantially greater financial, engineering and manufacturing resources as well as greater brand recognition and stronger customer relationships. For example, based on publicly available information, a company engaged in branded business operations with similar SMB telephony products in the US recorded a revenue of over US$1,500 million in 2009.

The Group competes directly with its competitors, in terms of distribution channels. Utilising the Group's sales networks, the Group's marketing personnel are constantly expanding the Group's business. With a view to vertically expanding its business, the Group's commencement of branded businesses since its licensing of the "RCA" brand and its acquisition of the "TrekStor" brand expanded and enlarged its customer base across a wider geographical region covering the Americas and Europe, respectively.

ACCREDITATIONS

The Group had renewed or had been granted the following accreditations during the Track Record Period:

Accreditations	Issuing organisation	Date of issue	Term of validation
ISO 9001 Certification Quality Management System	SGS	October 2010	January 2012
ISO 14001 Certification Environmental Management System	SGS	September 2009	September 2012
ISO 13485 Certification Management System for Design and Manufacture of Medical Devices	SGS	November 2008	November 2011

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, the Group registered 11 trademarks. Pursuant to the RCA Licence Agreement, TFNA (US) was granted an exclusive licence to distribute SMB phone systems under the "RCA" brand in North America from 1 March 2009 to 31 December 2013. Pursuant to the TrekStor Transfer Agreement, certain "TrekStor" related trademarks (i.e. those trademarks as set out in the paragraph headed "Intellectual Property Rights of the Group" in Appendix VI to this prospectus and are material to the Group's business) applied onto products distributed under the "TrekStor" brand will be assigned to TrekStor (HK) upon satisfaction of certain conditions under the TrekStor Transfer Agreement. These conditions have already been fulfilled and all "TrekStor" related trademarks that are material to the Group's business have been assigned to the Group. Please refer to the paragraph headed "Intellectual Property Rights of the Group" in Appendix VI to this prospectus for further details. Steps have been taken by the Group to complete the registration of the "TrekStor" related trademarks which are material to the Group's business under the Group's name. As at the Latest Practicable Date, two "TrekStor" related trademarks have been registered under the Group's name. Furthermore, as advised by the Company's legal advisers as to German law, there is no legal impediment for TrekStor (HK) to become the registered owner of the "TrekStor" related trademarks in Germany and in the European Union. However, TrekStor (HK) has to appoint a German representative for the registration of the German and a representative based in one of the countries in the European Union for the Community "TrekStor" related trademarks. Further details of the relevant agreement is set out in the paragraph headed "Summary of material contracts" in Appendix VI to this prospectus. Please also refer to the paragraph headed "Intellectual property rights" in Appendix VI to this prospectus for further details. During the Track Record Period, the Group has not experienced any infringement of its intellectual property rights by third parties. As at the Latest Practicable Date, the Group was not involved in any material litigation or legal proceedings for violation of intellectual property rights and there was no material violation of the same.

During the Track Record Period, the Group has used unlicensed computer software products in the course of its operations in the PRC. The Directors confirm that after such usage came to the attention of the Directors and the senior management, the Group has ceased to use such unlicensed computer software products since 1 January 2010. As advised by the PRC Legal Advisers, the legal consequences for the Group using unlicensed computer software products include, depending on the circumstances, ceasing the use, eliminating the adverse effects of the use, making an apology or paying compensation for damages for a maximum amount of RMB0.5 million. In addition, the Group may be required to pay a fine of RMB100 for each of the unlicensed software products used or a fine for a maximum amount of approximately HK$3.9 million. As at the Latest Practicable Date, the Directors were not aware of any actual or threatened legal proceedings in relation to the use of the unlicensed computer software products during the Track Record Period. Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune agreed to provide an indemnity for any loss incurred by the Group as a result of its use of the unlicensed computer software products in the course of its operations in the PRC during the Track Record Period.

As advised by RSM Consulting, the Group has adopted the following internal control measures to prevent any future use of unlicensed computer software products:

- issuing guidance to its employees to prohibit installation of unlicensed computer software on the office computers;
- conducting periodic checks on software licensing; and
- reporting the results of the periodic checks to the Group's management team.

INSURANCE COVERAGE

The Group maintains insurance policies in respect of its plants, production facilities and inventories covering losses owing to fire, flood and earthquake. It also maintains product liability insurance to cover any potential claims due to accidental bodily injury to third parties and accidental loss of or damage to the property of third parties arising from defects of its products produced. The Directors believe that such insurance coverage is adequate and customary to the EMS industry and the Group's products.

For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the total amount of premium paid by the Group were approximately HK$950,000, HK$1,030,000, HK$2,418,000 and HK$2,029,000, respectively. During the Track Record Period and as at the Latest Practicable Date, the Group had not made and did not make or had not been subject to any material insurance claims and/or product liability claims.

The Group also maintains product liability insurances for its licensed brand business in North America and own brand business in Europe. During the Track Record Period, it had not received any material claims from third parties in relation to the use of SMB phone systems under the "RCA" brand or the use of portable storage devices and multimedia products under the "TrekStor" brand.

PROPERTY INTERESTS

As at the Latest Practicable Date, the Group had the following property interests in Hong Kong, the PRC, the United States, Germany and Luxembourg. A summary of description and the valuation certificates for the property rights to these properties are set out in Appendix IV to this prospectus.

Properties owned and leased by the Group in Hong Kong

The Group leases properties in Hong Kong for research and administrative purpose. As at the Latest Practicable Date, the properties comprised two units with a total gross floor area of approximately 384.6 sq.m. The Group also owns a property in Hong Kong for storage purpose. As at the Latest Practicable Date, the warehouse comprised one unit with a total gross floor area of approximately 683.0 sq.m.

In addition, the Group leases three units in Hong Kong for residential purpose, with an aggregate gross floor area of approximately 328.3 sq.m. Please refer to the section headed "Connected Transactions" in this prospectus for further details.

Properties leased by the Group in Guangzhou

The Group leases properties in Guangzhou for production and residential purpose. As at the Latest Practicable Date, the properties comprised four blocks of factory buildings and five blocks of dormitory with a total gross floor area of approximately 43,345.1 sq.m. (the "**Guangzhou Land**").

As advised by the PRC Legal Advisers, the landlords of the Guangzhou Land only possess Houses Site(s) Certificates (宅基地使用証). The landlords have not obtained any building ownership certificates for the production facilities built on the Guangzhou Land. Houses sites (宅基地) are types of land used for collective construction (集體建設用地). According to《中華人民共和國土地管理法》(the PRC Land Administration Law) (the "**Land Administration Law**"), houses site(s) cannot be used for construction of production facilities and/or staff quarters or leased to third parties. As a result, the Guangzhou Land leased by Guangzhou Telefield which is used for production and staff quarters has breached the Land Administration Law.

According to《關於竹料工業區的歷史發展過程的說明》(the Direction Concerning the History Development of Zhuliao Industrial Zone) issued by 廣州市白雲區竹料鎮經濟發展總公司 (Guangzhou Baiyun District Zhuliao Town Economic Development Corporation) and 廣州市白雲區鐘落潭鎮人民政府經濟辦公室 (the Economic Office of Zhong Luo Tan Town, Baiyun District, Guangzhou) (the "**Zhong Luo Tan Office**") on 15 December 2009, it is stated that due to the relaxation of land development policy along the coastal lines of the PRC after the Open Door Policy and especially during the 1990s, people's government(s) at or above town level was(were) authorised to issue Houses Site(s) Certificates. The owners could develop the relevant land after obtaining the Houses Site(s) Certificates. By the end of 1996, the peoples' government of Guangzhou promulgated that the peoples' government at town level could not further issue Houses Site(s) Certificates with effect from 1 January 1997, however, the government would recognise all the Houses Site(s) Certificates issued before 1 January 1997. According to《廣州市城市規劃局依申請公開政府信息決定書》(the Written Decision on Publication of Governmental Information upon Application by Guangzhou Town Planning Bureau) issued on 9 December 2009 and as confirmed by the Directors, the Guangzhou Land is situated in the Zhuliao Industrial Zone (竹料工業區) which has been temporarily planned by 廣州市白雲區城市規劃局 (Guangzhou Baiyun District Urban Planning Bureau) (the "**Baiyun Planning Bureau**") for industrial use. According to an interview with an official of the Baiyun Planning Bureau conducted by the Company accompanied by the PRC Legal Advisers on 8 June 2010, the planning of the Guangzhou Land for industrial use by the Baiyun Planning Bureau is subject to the confirmation of 廣州市城市規劃局 (Guangzhou Urban Planning Bureau) (the "**Guangzhou Planning Bureau**"). It was further stated that the Guangzhou Planning Bureau would not change the planning decision made by the Baiyun Planning Bureau in normal circumstances. However, as confirmed by the Zhong Luo Tan Office, the relevant procedures for issuing land use rights certificates to substitute Houses Site(s) Certificates are subject to promulgation.

Based on the above and as advised by the PRC Legal Advisers, (i) the Guangzhou Land is temporarily planned for industrial use subject to confirmation from the Guangzhou Planning Bureau; (ii) the landlords of the Guangzhou Land have issued confirmations confirming that all those liabilities arising from the title defects in relation to the Guangzhou Land shall be borne by them; (iii) as confirmed by an official of the Baiyun Planning Bureau, there is abundant land supply nearby the Guangzhou Land which the Group can relocate its production facilities on the Guangzhou Land within a reasonable period of time should the relevant governmental authorities regard the industrial use of the Guangzhou Land is illegal and is against the relevant laws and regulations in the PRC and order the Group to relocate its production facilities; and (iv) each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has issued a confirmation agreeing to compensate all those losses and damages incurred by the Group as a result of the relocation of the production facilities on the Guangzhou Land as a result of the relevant governmental authorities regard the industrial use of the Guangzhou Land is illegal and is against the relevant laws and regulations in the PRC. For each of the three years ended 31 December 2007, 2008 and 2009, the products manufactured at the production facilities located on the Guangzhou Land contributed no less than 90% of the total revenue for each of the respective year while for the eight months ended 31 August 2010, the products manufactured at the production facilities located on the Guangzhou Land contributed no less than 70% of the total revenue for the respective period. Should the relocation of the production facilities on the Guangzhou Land becomes mandatory, the Directors will arrange the relocation in stages so that production can be carried and by (i) the production facilities on the Guangzhou Land; (ii) the unused production capacity in Huizhou production facilities; and (iii) the newly established production facilities to ensure the Group can still meet the customers' demand during the relocation. The relocation time is expected to be approximately four months, and the relocation costs are expected to be approximately RMB12 million. In light of the contemplated implementation of transitional arrangement, the Directors are of the view that no material adverse financial or operating impact will be imposed on the Group if it is required to relocate from the Guangzhou Land.

Temporary Structures occupied by the Group in Guangzhou

The Group occupies two temporary building structures and had built an additional floor on one of the factory buildings located on the Guangzhou Land (the "**Temporary Structures**"). As advised by the PRC Legal Advisers, the Temporary Structures do not have relevant planning permits, construction permits and building ownership certificates, and may be subject to demolition order by the local competent authority and a maximum fine in an amount equivalent to the total construction costs of the Temporary Structures. As advised by the PRC Legal Advisers, the maximum penalty in relation to the Temporary Structures is approximately RMB700,000. Should the demolition of the Temporary Structures becomes mandatory, the time required for the demolition and relocation would be approximately two months, and the demolition and relocation costs would be approximately RMB0.5 million. The Directors are of the view that no material adverse financial or operating impact will be imposed on the Group if it is required to demolish and relocate the Temporary Structures.

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has issued a confirmation to indemnify the Group against any costs relating to the demolition of the Temporary Structures and any penalties imposed by the local competent authority in the PRC. As at the Latest Practicable Date, to the best knowledge of the Directors after making reasonable enquiries, they were not aware of any legal proceedings and/or administrative actions taken by the relevant governmental authorities in relation to the use of the Guangzhou Land for industrial use and the Temporary Structures.

Properties leased by the Group in Huizhou

The Group leases properties in Huizhou for production and residential purpose. As at the Latest Practicable Date, the properties comprised three blocks of buildings with a total gross floor area of approximately 14,667 sq.m.

Properties leased by the Group in Shenzhen

The Group leases properties in Shenzhen for development and administrative purpose. As at the Latest Practicable Date, the properties comprised four units with a total gross floor area of approximately 2,000 sq.m.

Properties leased by the Group in the United States

The Group leases properties in the United States for administrative purpose. As at the Latest Practicable Date, the properties comprised one unit with a total gross floor area of approximately 225.1 sq.m.

Properties leased by the Group in Germany

The Group leases properties in Germany for administrative, assembly and storage purpose. As at the Latest Practicable Date, the properties comprised three blocks of buildings, among which two of them occupying a net floor area of approximately 1,080 sq. m. and the remaining one occupying a gross floor area of approximately 802 sq.m.

Properties leased by the Group in Luxembourg

The Group leases properties in Luxembourg for administrative purpose. As at the Latest Practicable Date, the properties comprised one unit with a total gross floor area of approximately 9.5 sq.m.

As at the Latest Practicable Date and save as disclosed above, to the best knowledge of the Directors after making reasonable enquiries, they were not aware of any defects in the title of any property which is owned or leased by the Group.

REGULATORY COMPLIANCE

Licences and permits

As advised by the Company's legal advisers and confirmed by the Directors, save as disclosed below and in the sub-section headed "Property interests" in this section, the Group had (i) obtained all licences, permits or certificates necessary to conduct its business in all the relevant jurisdictions; (ii) complied in its operations with all relevant laws and regulations of the applicable jurisdictions and the terms and conditions set out in the relevant approvals or licences granted to the Group; and (iii) complied in all material aspects with the environmental laws in the PRC, the United States and Germany and, in respect of the labour laws in the United States and Germany during the Track Record Period.

Social security insurance and housing provident fund contributions

Guangzhou Telefield, Shenzhen Telefield, Huizhou Telefield and Aiko (Shenzhen), which are the Group's primary operating subsidiaries or entities in the PRC (collectively, the "**Group's PRC Entities**"), are required to make social security insurance and housing provident fund contributions for their respective employees in the PRC under the applicable laws and regulations in the PRC. Due to differences in local regulations and inconsistent implementation or interpretation of the relevant laws and regulations by local authorities in the PRC, as well as different levels of acceptance of the social security system by their respective employees, the Group's PRC Entities have not made full contributions in respect of social security insurance, including pension fund, medical insurance (including maternity insurance), unemployment insurance and work-related injury insurance, and the housing provident fund for themselves and their respective employees in the PRC. In particular, under the circumstances where employees were not willing to make corresponding contributions because a number of employees declined the Group's payment of social security insurance and housing provident fund contributions on their behalf as such payment might reduce their direct disposable income. As a result, the Group's PRC Entities were not able to open payment accounts for them at the relevant local social security insurance and housing provident fund administration centres. Thus, the Group had not been able to make its respective portion of contributions to the social security insurance and housing provident fund. During the Track Record Period, the Group made contributions in an aggregate amount of approximately RMB6.8 million to the social security insurance and housing provident fund. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the outstanding amount of social security insurance and housing provident fund contributions amounted to approximately RMB7.9 million, RMB10.8 million, RMB10.1 million and RMB5.0 million, respectively.

As advised by the PRC Legal Advisers, the Group may be ordered to pay such outstanding social security insurance and/or housing provident fund contributions within a prescribed time limit by the relevant PRC authorities. According to《住房公積金管理條例》(the Regulations on Management of Housing Provident Fund), if the Group fails to rectify the non-compliance within the prescribed time limit as ordered by the relevant PRC authorities, a fine in an amount between RMB10,000 and RMB50,000 may be imposed on the Group. In addition, pursuant to《社會保險費征繳暫行條例》(the Interim Regulation on the Collection and Payment of Social Security Insurance Premiums), if the Group fails to rectify the non-compliance within the prescribed time limit as ordered by the relevant PRC authorities, the relevant PRC authorities may impose a belated payment (滯納金) at the daily rate of 0.2% of the overdue social security insurance premiums for any delay in payment from the date when the relevant contributions become due and payable until the actual payment date.

As at 31 August 2010, the Group had made full provisions in an amount of approximately HK$38.5 million in respect of the overdue social security insurance and housing provident fund contributions for all of its eligible staff during the Track Record Period. In addition to the existing provision made by the Group, each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has agreed to indemnify the Group against all losses suffered or incurred by the Group as a result of or in connection with the failure of any of the Group's PRC Entities to make contribution in respect of the social security insurance and housing provident fund due to the relevant governmental authorities in the PRC prior to the Listing.

Save as disclosed above, each of the Group's PRC Entities has complied with and will continue to comply with the applicable laws and regulations and the requirement of the local social security insurance bureaus to make relevant contributions in the future.

Anti-dumping regulatory compliance in Germany and in the United States

In Germany, the Group is subject to the Council Regulation (EC) No. 1225/2009 of 30 November 2009, which empowers the European Commission to investigate into any dumping conducts within the European Union. Please refer to the section headed "Regulations – Regulatory requirements in Europe" in this prospectus for further details. As advised by the legal advisers to the Company as to German law, the Group's operations in Germany is not subject to any anti-dumping proceedings or measures in Germany.

In addition, the Group's licensed brand business operation in North America is subject to the anti-dumping regulatory requirements in the United States. Please refer to the section headed "Regulations – Regulatory requirements in the United States" in this prospectus for further details. As advised by the legal advisers to the Company as to US law, the Group's operations in the United States is not subject to any anti-dumping proceedings or measures in the United States.

LEGAL PROCEEDINGS

To the best knowledge of the Directors after making reasonable enquiries, the Directors are not aware of any pending, threatened litigation or other proceedings that may, and are not involved in any litigation or other proceedings, the outcome of which the Directors believe might, cause material adverse effect on the Group's operations or financial position.

CORPORATE GOVERNANCE MATTERS

The Group entered into a facility agreement on 27 January 2010 with a bank in relation to a bank loan of HK$20.0 million to finance its general working capital requirements. Under the facility agreement, the net leverage ratios of consolidated total liabilities after deducting cash to consolidated tangible net worth shall not be higher than 175.0% and consolidated tangible net worth shall not be lower than HK$120.0 million at any time since 31 December 2009. However, due to the provision for social security insurance contribution and the recognition of contingent consideration (generated from the Group's expansion into branded businesses) which amounted to approximately HK$15.0 million and HK$31.3 million, respectively, and the inadvertence of the Group's management team, the Group failed to maintain the required net leverage ratio and consolidated tangible net worth. As a result, the outstanding amount of approximately HK$16.7 million was subject to an early repayment option by the bank. The Group's management team became aware of the technical breach subsequent to the completion of valuation of the acquisitions under the RCA Agreements and the TrekStor Transfer Agreement in May 2010 and remedial actions, including negotiations with the bank and classification of such bank loan as current liability, were taken promptly upon discovery of the technical breach. The bank did not request early repayment of the relevant outstanding bank loan. Subsequent to negotiations with the bank, on 7 July 2010, the bank agreed to waive its rights against the Group for the breach of the covenants covering the period from 27 January 2010 to 31 August 2010 retrospectively. The Directors are of the view that it was only a technical breach and no monetary penalty had been imposed on the Group. The outstanding amount of the bank loan of approximately HK$16.7 million was subsequently fully settled in advance by the Group on 8 September 2010.

On 11 February 2010, the Group engaged RSM Consulting, to execute an agreed set of due diligence review (the "**Review**") on the procedures, systems and controls (including accounting and management systems) adopted by the Group. The scope of work of RSM Consulting included assessing, at the Group level, the general control environment, the risk assessment, central financial related management controls and general disclosure controls. RSM Consulting also performed assessment on the main operating subsidiaries of the Company, including their sales, procurement, inventory, fixed assets, human resources, cash management and general computer control cycles. The objective of the Review is to assess and identify significant weaknesses in relation to the Group's financial procedures, systems and controls. Based on its work, RSM Consulting reported on details of internal control weaknesses of the Group that came to its attention and that RSM Consulting considered to be significant, and its recommendations to improve the Group's internal control systems.

RSM Consulting has made recommendations in relation to breach of loan covenant, which have been implemented by the Group, including but not limited to (i) regular reviewing of the outstanding balances of the Group's banking facilities; (ii) regular reviewing at the Group's level of bank borrowings as compared with its total assets and net assets; (iii) assessing the Group's current financial position as compared with its bank borrowings; and (iv) regular reporting on the findings to the Group's management team. The Group conducts periodic analysis of its historical financial information to review its compliance with the relevant covenants. The Group is in the process of strengthening its budgeting system and conduct monthly covenant compliance forecast to ensure compliance with such covenants in the future. The Directors consider that with the recommendations by RSM Consulting and the budgeting system already in place, the Group would be able to comply with such covenants.

The Directors recognise the importance of incorporating elements of good corporate governance in the management and internal control procedures of the Group so as to achieve effective accountability. The Company has established an audit committee, a remuneration committee and a nomination committee in December 2010. For details of the respective duties and responsibilities of the aforesaid committees, please refer to the section headed "Directors, Senior Management and Staff" in this prospectus. The Company will also appoint China Merchants Securities as its compliance adviser to assist the Company with the compliance matters and issues in relation to the Listing Rules. In addition, the Company will review its internal control system on a quarterly basis and plans to provide annual continuous training to all relevant staff members on the compliance matters and internal control improvements after the Listing. The Directors consider that the aforesaid procedures and controls should be adequate and effective.

CONTINUING CONNECTED TRANSACTIONS EXEMPT FROM THE REPORTING, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

Following the Listing, the following transactions may/will continue between the Group and the relevant connected persons, which will constitute continuing connected transactions for the Company under the Listing Rules.

Lease agreement with Modern Field Limited

On 30 June 2010, Modern Field Limited entered into a lease agreement (the "**First Lease Agreement**") with Telefield (HK), pursuant to which Modern Field Limited leased the premises of a total gross floor area of approximately 150.13 sq.m. located at Flat 1B, Block 10, Richwood Park, 33 Lo Fai Road, Tai Po, New Territories, Hong Kong together with two car parks (collectively, "**Property 1**"), to Telefield (HK) for a term of one year commencing from 1 June 2010 to 31 May 2011 at a monthly rental of HK$35,000.

As Modern Field Limited is owned as to 999,999 shares by Century Win and as to one share by Mr. Cheng, Modern Field Limited is an associate of Century Win and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The rental paid by Telefield (HK) to Modern Field Limited under the First Lease Agreement was determined on an arm's length basis and reflected the prevailing market rent at the time. The First Lease Agreement was entered into by the parties on normal commercial terms.

During the Track Record Period and before the entering into of the First Lease Agreement, Modern Field Limited leased Property 1 to Telefield (HK). For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the total amount of rental paid by Telefield (HK) to Modern Field Limited amounted to HK$480,000, HK$480,000, HK$480,000 and HK$280,000, respectively. The First Lease Agreement will continue between the parties after the Listing. Based on the terms of the First Lease Agreement, the aggregate rent payable by Telefield (HK) to Modern Field Limited for each of the years ending 31 December 2010 and 2011 will not exceed HK$435,000 and HK$175,000, respectively (the "**First Lease Annual Caps**").

The Directors consider that the First Lease Agreement and the First Lease Annual Caps to be fair and reasonable and in the interest of the Group and the Shareholders as a whole. DTZ has reviewed the rent payable pursuant to the First Lease Agreement and confirmed that the terms of the First Lease Agreement reflect the prevailing market condition in Hong Kong and that the rent payable by Telefield (HK) to Modern Field Limited reflects the prevailing market rates of comparable properties in the locality and is fair and reasonable.

Since each of the percentage ratios (other than the profits ratio) for the First Lease Agreement is less than 5% and the annual consideration is less than HK$1,000,000, the transactions under the First Lease Agreement are exempted from the reporting, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimus threshold under Rule 14A.33(3) of the Listing Rules.

Lease agreement with Swintown Investment Limited

On 30 June 2010, Swintown Investment Limited entered into a lease agreement (the "**Second Lease Agreement**") with Telefield (HK), pursuant to which Swintown Investment Limited leased the premises of a total gross floor area of approximately 70.42 sq.m. located at Flat 9A, Tower 27, Parc Oasis, 35 Grandeur Road, Yau Yat Tsuen, Kowloon, Hong Kong ("**Property 2**"), to Telefield (HK) for a term of one year, commencing from 1 June 2010 to 31 May 2011 at a monthly rental of HK$20,000.

As Swintown Investment Limited is 99.99% owned by Mr. KY Ng, Swintown Investment Limited is an associate of Mr. KY Ng and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The rental paid by Telefield (HK) to Swintown Investment Limited under the Second Lease Agreement was determined on an arm's length basis and reflected the prevailing market rent at the time. The Second Lease Agreement was entered into by the parties on normal commercial terms.

During the Track Record Period and before the entering into of the Second Lease Agreement, Swintown Investment Limited leased Property 2 to Telefield (HK). For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the total amount of rental paid by Telefield (HK) to Swintown Investment Limited amounted to HK$240,000, HK$240,000, HK$240,000 and HK$160,000, respectively. The Second Lease Agreement will continue between the parties after the Listing. Based on the terms of the Second Lease Agreement, the aggregate rent payable by Telefield (HK) to Swintown Investment Limited for each of the years ending 31 December 2010 and 2011 will not exceed HK$240,000 and HK$100,000, respectively (the "**Second Lease Annual Caps**").

The Directors consider that the Second Lease Agreement and the Second Lease Annual Caps to be fair and reasonable and in the interest of the Group and the Shareholders as a whole. DTZ has reviewed the rent payable pursuant to the Second Lease Agreement and confirmed that the terms of the Second Lease Agreement reflect the prevailing market condition in Hong Kong and that the rent payable by Telefield (HK) to Swintown Investment Limited reflects the prevailing market rates of comparable properties in the locality and is fair and reasonable.

Since each of the percentage ratios (other than the profits ratio) for the Second Lease Agreement is less than 5% and the annual consideration is less than HK$1,000,000, the transactions under the Second Lease Agreement are exempted from the reporting, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimus threshold under Rule 14A.33(3) of the Listing Rules.

Lease agreement with Grand Access Limited

On 30 June 2010, Telefield (HK) entered into a lease agreement (the "**Third Lease Agreement**") with Grand Access Limited, pursuant to which Grand Access Limited leased the premises of a total gross floor area of approximately 107.77 sq.m. located at Flat D, 10th Floor, Block 1, Grand Palisades, 8 Shan Yin Road, Tai Po, New Territories, Hong Kong, together with a licence to use one car park (collectively, "**Property 3**"), to Telefield (HK) for a term of one year commencing from 1 June 2010 to 31 May 2011 at a monthly rental of HK$20,000.

As Grand Access Limited is 51% owned by Mr. KB Lee, Grand Access Limited is an associate of Mr. KB Lee and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The rental paid by Telefield (HK) to Grand Access Limited under the Third Lease Agreement was determined on an arm's length basis and reflected the prevailing market rent at the time. The Third Lease Agreement was entered into by the parties on normal commercial terms.

During the Track Record Period and before the entering into of the Third Lease Agreement, Grand Access Limited leased Property 3 to Telefield (HK). For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the total amount of rental paid by Telefield (HK) to Grand Access Limited amounted to HK$100,000, HK$240,000, HK$240,000 and HK$160,000, respectively. The Third Lease Agreement will continue between the parties after the Listing. Based on the terms of the Third Lease Agreement, the aggregate rent payable by Telefield (HK) to Grand Access Limited for each of the years ending 31 December 2010 and 2011 will not exceed HK$240,000 and HK$100,000, respectively (the "**Third Lease Annual Caps**").

The Directors consider that the Third Lease Agreement and the Third Lease Annual Caps to be fair and reasonable and in the interest of the Group and the Shareholders as a whole. DTZ has reviewed the rent payable pursuant to the Third Lease Agreement and confirmed that the terms of the Third Lease Agreement reflect the prevailing market condition in Hong Kong and that the rent payable by Telefield (HK) to Grand Access Limited reflects the prevailing market rates of comparable properties in the locality and is fair and reasonable.

Since each of the percentage ratios (other than the profits ratio) for the Third Lease Agreement is less than 5% and the annual consideration is less than HK$1,000,000, the transactions under the Third Lease Agreement are exempted from the reporting, announcement and independent shareholders' approval requirements applicable under Chapter 14A of the Listing Rules as it falls within the de minimus threshold under Rule 14A.33(3) of the Listing Rules.

INDEPENDENCE OF THE GROUP FROM THE CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer, Dragon Fortune, Telefield Charitable Fund, Century Win, Mr. Cheng and Mrs. Cheng will control more than 30% of the issued share capital of the Company, irrespective of whether the Over-allotment Option is exercised partially or fully, or at all. For the purpose of the Listing Rules, Dragon Fortune, Telefield Charitable Fund, Century Win, Mr. Cheng and Mrs. Cheng are the Controlling Shareholders of the Company. Each of Dragon Fortune, Telefield Charitable Fund, Century Win, Mr. Cheng and Mrs. Cheng confirms that he/she/it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the Group's business.

Management independence

The Group has its own management team with substantial experience and expertise in consumer electronic products industry independent from the Controlling Shareholders or their respective associates.

Despite the fact that all the executive Directors are also the senior management of the Group, the Directors are of the view that the following control mechanism could enable the Directors to discharge their duties appropriately, minimise or, if possible, avoid potential conflicts of interest and safeguard the interests of the Shareholders as a whole:

(a) Composition of the Board

The Board comprises eight Directors, of whom five are executive Directors and three are independent non-executive Directors. The three independent non-executive Directors have extensive experience in different areas or professions and are appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions.

(b) Participation in general meetings and voting therein

The Articles of Association do not impose any restriction on the Shareholders to attend general meetings of the Company nor to vote on any resolution proposed therein. Should there be any potential conflict of interest arising out of any transaction to be entered into by the Group, the interested Director(s) shall, as required under the Listing Rules and the Articles of Association, abstain from voting at the relevant board meeting of the Company in respect of such transaction and shall not be counted as quorum. Besides, the Company shall comply with Chapter 14A of the Listing Rules, which provides that certain categories of connected transactions shall be subject to independent Shareholders' approval so as to ensure the best interests of the Company are being served.

In addition, the Group has executive Directors and a senior management team to carry out the business decisions of the Group independently.

Having considered the above factors, the Directors are satisfied that the management team of the Group is able to perform its stewardship role in the Company independently, and the Directors are of the view that the Group is capable of managing its business independently from the Controlling Shareholders.

Operational independence

The Group has an independent work force to conduct its business and has not shared its operational team with the Controlling Shareholders' business outside the Group. Although during the Track Record Period, there had been certain transactions between the Group and its related parties, details of which are set out in note 40 to the Accountants' Report in Appendix I to this prospectus, the Directors confirmed that these related party transactions were conducted in the ordinary course of business of the Group and on fair and reasonable normal commercial terms.

Financial independence

The Group has an independent financial system and makes financial decisions according to the Group's own business needs. Mr. Cheng, one of the Controlling Shareholders of the Company, had provided personal guarantees for the Group's banking facilities for unlimited amount during the Track Record Period. Save as disclosed as aforesaid, no other amount was due to the Controlling Shareholders of the Company from the Group. All the relevant banks will release Mr. Cheng's personal guarantees upon Listing.

The Directors believe that the Group is capable of obtaining further financing from third parties, if necessary, on market terms and conditions without reliance on the Controlling Shareholders.

Corporate governance

The Board consists of three independent non-executive Directors to ensure that the Board is able to effectively exercise independent judgment in its decision-making process and provide independent advice to the Shareholders. The Group will ensure that the independent non-executive Directors are of sufficient calibre, knowledge and experience, have no prior connections or relationship with the Group or its connected persons and will carry weight in the Group's decision-making process.

Competing interests

None of the Controlling Shareholders and their respective associates has any interest in a business which competes or is likely to complete either directly or indirectly with the business of the Group.

Non-competition undertaking

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has entered into a deed of non-competition in favour of the Company, pursuant to which each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has undertaken, subject to the exceptions mentioned below, that he/she/it will not, and will procure that neither his/her/its respective associates nor companies controlled by him/her/it (other than the Group) will directly or indirectly be interested in or engaged in any business which competes or is likely to compete directly or indirectly with the Group's business as set out in this prospectus in any area in which the Group carries on business ("**Restricted Activity**").

The aforesaid undertakings do not apply with respect to the holding of or interests in shares or other securities in any company which conducts or is engaged in any Restricted Activity, if (i) such company whose shares are listed on a recognised stock exchange; and (ii) the total number of the shares held by each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune and his/her/its respective associates does not amount to more than 10% of the issued shares of such company; and (iii) each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune or his/her/its respective associates are not entitled to appoint a majority of the directors or management of such company.

The obligations of each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune under the deed of non-competition will remain in effect until (i) the day on which the Shares cease to be listed on the Stock Exchange or another recognised stock exchange; or (ii) the date on which each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune and his/her/its respective associates cease to own 30% or more of the then issued share capital of the Company directly or indirectly, whichever occurs first.

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has undertaken to the Company that he/she/it will, during the term of the deed of non-competition, indemnify and keep indemnified the Company and the Group against any loss suffered by the Company or the Group (as relevant) arising out of any breach of any of his/her/its undertakings under the deed of non-competition.

DIRECTORS

The Board consists of eight Directors, comprising five executive Directors, and three independent non-executive Directors. The following table sets forth certain information relating to the Directors:

Name	Age	Group Position	Appointment Date
Cheng Han Ngok Steve (鄭衡嶽)	57	Executive Director and Chairman	18 May 2010
Poon Ka Lee Barry (潘家利)	51	Executive Director and Chief Financial Officer	1 July 2010
Ng Kim Yuen (吳儉源)	50	Executive Director and General Manager of manufacturing division of Telefield (HK)	1 July 2010
Fok Pui Yin (霍佩賢)	55	Executive Director and General Manager of administration division of Telefield (HK)	1 July 2010
Lee Kai Bon (李繼邦)	50	Executive Director, General Manager of business division of Telefield (HK) and the Group's research and development centre	1 July 2010
Au-Yang Cheong Yan Peter (歐陽長恩)	50	Independent non-executive Director	1 July 2010
Kwan Pun Fong Vincent (關品方)	59	Independent non-executive Director	1 July 2010
Xue Quan (薛泉)	44	Independent non-executive Director	15 July 2010

DIRECTORS

Executive Directors

Mr. Cheng Han Ngok Steve (鄭衡嶽), aged 57, an executive Director and chairman of the Company since its incorporation, is the founder of the Group and a director of all of the Group's subsidiaries except Aiko, Aiko (Shenzhen) and TrekStor (Germany). Mr. Cheng is responsible for the overall strategic development of the Group's business. He has over 30 years of experience in consumer electronic products industry. Under Mr. Cheng's leadership, the Group has succeeded to diversify from the production of telecommunications products to a wider EMS industry segment and entered into the branded products distribution sector. From July 1978 to August 1981, he was employed by Conic Investment Co. Limited, a company engaged in the manufacturing of audio products, TV games and telephones, and his last position was engineering manager. From October 1982 to December 1984, he was appointed as the technical director of Soundic Electronics Limited, a company established in 1975 and engaged in the manufacturing of electronic products. He was responsible for the technical aspect of Soundic Electronics Limited but was not involved in its day-to-day operations. A winding-up petition dated 28 March 1985 involving a claimed amount of HK$114,001.35 against Soundic Electronics Limited was filed with the High Court of Hong Kong when Mr. Cheng had already resigned from his position as a director of Soundic Electronics Limited. Soundic Electronics Limited was ordered to be wound up by a court order dated 7 May 1985. Soundic Electronics Limited was subsequently dissolved on 5 October 1990.

From December 1985 to March 1992, Mr. Cheng was employed by Wisetronics Limited, a company engaged in the manufacturing of cordless phones and telephones, and his last position was managing director. From June 1988 to January 1993, he was a managing director of Giant Electronics Limited, a company engaged in the manufacturing of cordless phones and telephones. In 1992, Mr. Cheng established the Group and has been mainly responsible for the management, operation and business development of the Group.

Mr. Cheng is a 中國人民政治協商會議廣州市白雲區常務委員 (standing committee member of The Chinese People's Political Consultative Conference of the Baiyun District of Guangzhou). Mr. Cheng obtained a Bachelor of Mathematics from the University of Waterloo in Canada in October 1977 and a Higher Diploma in Electronic Engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1973. He and Mr. Poon Ka Lee Barry are brothers-in-law.

Mr. Poon Ka Lee Barry (潘家利), aged 51, an executive Director since 1 July 2010, is the chief financial officer and the company secretary of the Company. Mr. Poon joined the Group as a director of Telefield (HK) in 2002 and has been appointed as the chief financial officer of the Group since September 2009. He is currently a director of all of the Group's subsidiaries except Aiko, Aiko (Shenzhen), Guangzhou Telefield, Huizhou Telefield and TrekStor (Germany). He is also a supervisor of Guangzhou Telefield. Mr. Poon is responsible for developing and implementing the Group's strategic objectives and business plans. Mr. Poon has over 25 years of experience in audit, accounting and finance. He is currently a practising member of the Hong Kong Institute of Certified Public Accountants. Mr. Poon was employed by Coopers & Lybrand from July 1983 to May 1987 where he served as an audit trainee, audit senior and audit supervisor II. From May 1987 to June 1990, he was the chief accountant of Wah Chong (Far East) Import & Export Ltd. Mr. Poon was employed as the deputy manager of Kennic Lui & Co., CPA in 1990 and left in 1992 when he was the audit principal of the firm. He is also an associate member of the Association of Chartered Certified Accountants. Mr. Poon was the sole proprietor of K.L. Poon & Co., CPA and KY Lai & Co., CPA during the period from 1992 to June 2010 and from January 2004 to June 2010, respectively. Since 18 June 2010, Mr. Poon has been a partner of K.L. Poon & Co., CPA and KY Lai & Co., CPA. He was the honorable auditors of The Institution of Electrical Engineers (Hong Kong Centre) (now known as Institution of Engineering and Technology Hong Kong) from 1988 to 1999. Mr. Poon obtained a Master Degree in Business Administration from the University of Manchester in the United Kingdom in December 2002 and a Professional Diploma in Accountancy from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1983. Since October 2009, Mr. Poon has been an independent non-executive director of Sunlink International Holdings Limited (Provisional Liquidators Appointed) ("**Sunlink**") (stock code: 2336), a company listed on the Main Board of the Stock Exchange. His appointment was subsequent to a winding-up petition against Sunlink which was filed on 1 December 2008. Mr. Poon was invited to join the board of Sunlink because the provisional liquidators appointed considered that his professional qualifications as a qualified accountant would enable Sunlink to meet the requirements of Rule 3.10(2) of the Listing Rules, which require a listed issuer to have at least one independent non-executive director who has appropriate professional qualifications or accounting or related financial management expertise. Mr. Poon and Mr. Cheng Han Ngok Steve are brothers-in-law.

Mr. Ng Kim Yuen (吳儉源), aged 50, an executive Director since 1 July 2010, is currently the general manager of manufacturing division of Telefield (HK). Mr. KY Ng is also a director of Guangzhou Telefield, Huizhou Telefield, Telefield (BVI) and Telefield (HK). Mr. KY Ng has over 25 years of experience in the electronics industry. From September 1985 to April 1991, he joined Wisetronics Limited, a company engaged in the manufacturing of cordless phones and telephones, where he held various positions and his last position was quality control manager. From April 1991 to February 1992, he was the operation manager of Giant Electronics Limited, a company engaged in the manufacturing of cordless phones and telephones. From March 1992 to September 1992, he was appointed as the operation manager of Group Sense Limited, a company engaged in the manufacturing of electronic dictionaries. Mr. KY Ng joined the Group as an operation manager in 1992 and was promoted as the general manager of the manufacturing division of Telefield (HK) in November 2008.

Mr. KY Ng is a chartered engineer of the Engineering Council and is a member of The Hong Kong Institution of Engineers and The Institution of Electrical Engineers, the United Kingdom. He obtained a Master of Science in Engineering from The University of Hong Kong in December 1989 and Associateship and Higher Diploma in Production and Industrial Engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1983 and November 1982, respectively.

Ms. Fok Pui Yin (霍佩賢), aged 55, an executive Director since 1 July 2010, is the general manager of administration division of Telefield (HK). Ms. Fok is also a director of Telefield (BVI) and Telefield (HK). She is responsible for general administration, procurement and information technology management of the Group. From January 1984 to November 1985, she was the personal assistant to the managing director of Vitalink Limited, a trading company engaged in the import and export of electronic products. From January 1986 to March 1992, she was the secretary to the managing director of Wisetronics Limited, a company engaged in the manufacturing of cordless phones and telephones. Ms. Fok joined the Group as the manager of its administration department in 1992 and was promoted as the general manager of the administration division of Telefield (HK) in November 2008.

Ms. Fok obtained a Bachelor of Business (Business Administration) from the Royal Melbourne Institute of Technology in September 2004, a Professional Diploma in Enterprise Directorship awarded jointly by the Hong Kong Institute of Directors and Hong Kong Productivity Council in August 2009, and a Diploma in Management Studies awarded jointly by Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and Hong Kong Management Association in September 1992.

Mr. Lee Kai Bon (李繼邦), aged 50, an executive Director since 1 July 2010, is a general manager of business division of Telefield (HK) and the Group's research and development centre. Mr. KB Lee is also a director of Telefield (BVI), Telefield (HK), Guangzhou Telefield and Huizhou Telefield. Mr. KB Lee joined the Group in 1992 as an engineering manager and was promoted to the general manager in March 2006. Mr. KB Lee has over 25 years of experience in consumer electronic products industry. From May 1984 to May 1985, he was an electronic engineer of Soundic Electronics Limited, a company engaged in the manufacturing of electronic products. From May 1985 to November 1989, he joined Telatech Limited (the name was later changed to Team Concepts Electronics Limited and is now known as Team Concepts Marketing Limited), where he held various positions and his last position was senior project engineer. From November 1989 to November 1992, he served as an associate consultant of Hong Kong Productivity Council. Mr. KB Lee graduated with a Bachelor of Science (Hons) from the University of Warwick, the United Kingdom in July 1982.

Independent Non-executive Directors

Mr. Au-Yang Cheong Yan Peter (歐陽長恩), aged 50, an independent non-executive Director since 1 July 2010. Mr. Au-Yang is a director of AsiaSoft Company Limited which is the holding company of a group with businesses in different sectors of the software industry. Prior to joining AsiaSoft Company Limited, Mr. Au-Yang spent more than 20 years in the financial services sector in the Asia-Pacific region. Mr. Au-Yang joined the HSBC group in 1985 and became a co-head of Investment Banking, the Asia-Pacific region of the HSBC group in 2001. Between 1985 and 2003 when he was with the HSBC group, he worked on various equity capital fund-raising exercises and mergers and acquisitions projects in the Asia-Pacific region. Between 2003 and 2006, Mr. Au-Yang was an executive director and the chief operating officer of the SFC. In late 2004, Mr. Au-Yang doubled up as the executive director in charge of the corporate finance division of the SFC. Mr. Au-Yang obtained a Bachelor of Science degree in Business Studies from the University of Bradford in England in July 1982, and a Master of Science degree in Accounting and Finance from the London School of Economics and Political Science in August 1983.

Dr. Kwan Pun Fong Vincent (關品方), aged 59, an independent non-executive Director since 1 July 2010. Dr. Kwan is a professor of Business and Management Division of United International College (jointly founded by 北京師範大學 (Beijing Normal University) and Hong Kong Baptist University). He is also the chief financial officer and new premises project manager of Yew Chung Education Foundation in Hong Kong. From October 2002 to June 2008, Dr. Kwan was a non-executive director of Finet Group Limited (stock code: 8317), a company listed on the Growth Enterprise Market of the Stock Exchange. Since June 2008, he has been an independent non-executive director of Jiangling Motors Co., Limited, a company listed on the Shenzhen Stock Exchange. Dr. Kwan is a Certified Practising Accountant of CPA Australia, an associate member of the Hong Kong Institute of Human Resources Management, a fellow of the Institute of Management Consultants, and a senior member of the Hong Kong Institute of Marketing. Dr. Kwan obtained a Doctoral Degree in Business Administration from the University of Western Sydney in Australia in May 2004, a Master's Degree in Commerce from the University of Hitotsubashi in Japan in March 1981, and a Bachelor's Degree in Social Sciences from The University of Hong Kong in November 1973.

Dr. Xue Quan (薛泉), aged 44, an independent non-executive Director since 15 July 2010. Dr. Xue obtained a Doctor of Philosophy from 電子科技大學 (The University of Electronic Science and Technology of China) in September 1993 and a Bachelor of Engineering from 成都電訊工程學院 (Chengdu Institute of Radio Engineering) in July 1988. Dr. Xue is currently an associate professor of the Department of Electronic Engineering of the City University of Hong Kong. He has over 12 years experience in consumer electronic products industry. From January 2002 to February 2009, he was the managing director of Shenzhen Goldradio Communication Ltd, a company engaged in microwave and antenna components for satellite communications. From October 1998 to May 1999, Dr. Xue was a senior engineer of Dynax Electronics (HK) Limited, a company engaged in DVD components and wireless communications.

Save as disclosed above, there is no other information in respect of the Directors to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

SENIOR MANAGEMENT

The following table sets forth information regarding the senior management of the Company:

Name	Age	Group Position
Ng Wing Nin (吳永年)	49	General Manager of Aiko
Lee Cheong Lim (李昌濂)	49	General Manager of Telefield (HK)
Tam Kam Fong (譚錦方)	49	Senior Manager of Telefield (HK)
Ko Mee Ling (高美齡)	48	Senior Manager of Telefield (HK)
Wong Sik Hung (黃式雄)	51	Senior Manager of Telefield (HK)
Sum Kwok Fai (沈國輝)	52	Senior Manager of Telefield (HK)
Chiu King Yim Dominic (趙景彥)	51	Engineering Manager of Telefield (HK)
Dwight T. Sakuma	59	President of TFNA (US)
Shimon Szmigiel	59	Director and chief executive officer of TrekStor (Germany)

Mr. Ng Wing Nin (吳永年), aged 49, is the general manager of Aiko. He joined the Group in 2006 as general manager. He is a director of Aiko and Aiko (Shenzhen). Mr. Ng has held senior management positions in sales, marketing, operations and manufacturing for more than 20 years. Companies in which he had previously been employed include Victory Concept Industries Limited, a company engaged in manufacturing business phones and audio products, where he held the position as general manager from July 2004 to January 2006; Continental Conair Limited, a company engaged as buying office for its overseas group companies on electronic products, personal care products and electrical products, where he held various positions during the period from 1988 to 2004 and his last position was manager – Electronic Division. Mr. Ng obtained a Master of Science in Engineering Business Management jointly awarded by The Hong Kong Polytechnic University and the University of Warwick in October 2008, a Bachelor of Science from the University of Ulster in June 1988 and a Higher Certificate in Electronic Engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1986.

Mr. Lee Cheong Lim (李昌濂), aged 49, is a general manager of Telefield (HK). Mr. Lee is responsible for the exploration of business opportunities in relation to medical equipment. Mr. Lee joined the Group in early 2010 as the general manager of the Group's marketing department. Mr. Lee has over 25 years of experience in consumer electronic products industry. Companies in the which he had previously been employed include Philips Hong Kong Limited, a company engaged in the manufacturing of audio products, radio and telecom products, where he held the position as electronic engineer from May 1984 to September 1986 and project engineer from October 1986 to June 1988; Video Technology Group Limited, a company engaged in the manufacturing of personal computers, educational toys and telephones, where he held the position as an assistant engineering manager from January 1991 to October 1991; Albatross Technology Co., Limited, a company engaged in the manufacturing of compact disks and video compact disks, where he held the position as senior manager in the engineering department from July 1993 to February 1997; Automatic Manufacturing Limited, a company engaging in the manufacturing of medical devices, home and industrial automation, telecom products and office equipment, where he joined the company as an electronic and certification consultant in April 1999 and was subsequently promoted to assistant general manager and division general manager in July 1999 and January 2004, respectively. Mr. Lee obtained a Higher Diploma in Electronic Engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1981.

Mr. Tam Kam Fong (譚錦方), aged 49, is a senior manager of Telefield (HK). Mr. Tam joined the Group as chief mechanical engineer in 1992. He had served various managerial capacity in the Group such as manager of the Group's mechanical engineering department and project and operations manager. Mr. Tam has over 20 years of experience in business development and research and development in electronics industry. He was employed by the Hong Kong Productivity Council from 1987 to 1992 where he served as an engineering technologist and was subsequently promoted to associate consultant of Electronics Services Division in 1992. Mr. Tam obtained a Master of Science in Engineering and a Bachelor of Science in Engineering from The University of Hong Kong in November 1991 and November 1985, respectively, and a Higher Diploma in Mechanical Engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1983.

Ms. Ko Mee Ling (高美齡), aged 48, is a senior manager of Telefield (HK). She is also a supervisor of Huizhou Telefield. Ms. Ko joined the Group in 1993 and is responsible for the finance and accounting of the Group. She has over 20 years of experience in accounting, financial control and management. From April 1989 to September 1991, she was employed as an accountant by Wah Chong (Far East) Import & Export Limited, a company engaged in the wholesale and retail of fashions and accessories. From January 1992 to February 1993, she served as an accounting supervisor of Builders Federal (HK) Limited, an aluminum curtain wall contractor. Ms. Ko is a fellow member of Association of International Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Ms. Ko obtained a Master of Business Administration from the Open University of Hong Kong in December 2006.

Mr. Wong Sik Hung (黃式雄), aged 51, is a senior manager of Telefield (HK). He joined the Group in 1997 as a manager. He has over 25 years of experience in electronics industry. Prior to joining the Group, he served as a microprocessor engineer of Soundic Electronics Limited between July 1982 and April 1985. He served as a general manager of Sota Technology Limited, a company engaged in electronics design and consultancy services between 1994 and 1997. He was with Sota Electronics Company Limited between 1986 and 1994, during which he served as an electronic engineer, and was subsequently promoted to the position of general manager in 1991. Mr. Wong obtained a Diploma in Management Studies awarded jointly by Hong Kong Polytechnic and Hong Kong Management Association in September 1993 and a Higher Certificate in Electronic Engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1982.

Mr. Sum Kwok Fai (沈國輝), aged 52, is a senior manager of Telefield (HK). Mr. Sum joined the Group in 1997 as manager of plastic department. He has over 30 years of experience in moulding. Prior to joining the Group, Mr. Sum was with Chit Tat Moulding Factory between 1977 and 1997, during which he was promoted from moulding technician to product manager. He acquired extensive techniques in relation to the use of lathe milling machinery, EDM sparks machinery and computer numerically controlled machinery from his past work experience. Mr. Sum completed Form Two education at Chan Shu Kui Memorial School in 1972.

Mr. Chiu King Yim, Dominic (趙景彥), aged 51, is an engineering manager of Telefield (HK). He joined the Group in 1997 and is currently responsible for engineering design in the Group's marketing team. Mr. Chiu has over 20 years of experience in engineering and research and development. From November 1987 to 1997, Mr. Chiu worked in Sota Electronics Company Limited, a company engaged in electronics design and consultancy services, where he joined as a senior project engineer and was subsequently promoted to the position of engineering manager in February 1991. Mr. Chiu obtained a Bachelor of Social Science from Asia International Open University (Macau) in Macau in December 1994 and a Higher Certificate in Electronic Engineering from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1983.

Mr. Dwight T. Sakuma, aged 59, is the president of TFNA (US). He joined the Group in January 2009 as the president of TFNA (US). Mr. Sakuma is currently in charge of the North American business, which includes managing sales, marketing, operations, product management and business development of TFNA (US). Mr. Sakuma has held senior management positions in sales, product management and business development in the consumer electronics industry. Companies with which he has previously worked include Thomson Inc., where he served as the general manager of the audio/video business from July 2006 to January 2008; Funai Electric Co., Ltd, a company engaged in the cable settop box business, where he served as a senior consultant of new business development from April 2008 to December 2008; Motorola, Inc., where he served as a vice president of business development from January 1997 to June 2005. Mr. Sakuma obtained a Bachelor of Arts from the University of Washington in the US in August 1973.

Mr. Shimon Szmigiel, aged 59, is the director and chief executive officer of TrekStor (Germany). He joined the Group in October 2009 as the director and chief executive officer of TrekStor (Germany). Mr. Szmigiel has 30 years of experience in sales, product management and business development in electronics industry. Mr. Szmigiel has held different management positions in electronics industry. Companies in which he had previously been employed include Szmigiel Trading GmbH (Germany 1980-1992), a company engaged in international trade for electronic products where he held the position as the general manager; Swissoft GmbH (Germany 1994-2002), a company engaged in developing software for children where he held the position as the general manager; and TrekStor GmbH & Co. KG (Germany 2002 – 2009), a company engaged in sales of computer accessories and multimedia products marketed in Europe and went into liquidation in July 2009, where he held the position as a general manager. Mr. Szmigiel was educated in Israel at a "Kibbutz" (a special closed-group-community) and graduated from a high school in Mannheim, Germany.

COMPANY SECRETARY

Mr. Poon Ka Lee Barry (潘家利) has been the company secretary of the Company since 20 August 2010. His biographical details are set out in the sub-section headed "Directors" in this section.

STAFF

Overview of number of staff

The Group had 2,943 staff as at the Latest Practicable Date, with 71 in Hong Kong, 2,789 in the PRC, six in the United States and 77 in Germany. A breakdown of its workforce by function is as follows:

	As at the Latest Practicable Date				
	Hong Kong	**PRC**	**United States**	**Germany**	**Total**
Management	16	–	1	4	21
Finance	7	26	1	5	39
Human resources and support	2	133	–	5	140
Sales and marketing	10	1	3	16	30
Service	5	32	–	13	50
Engineering	14	122	–	8	144
IT technical support	3	9	–	1	13
Supply and logistics	9	118	1	3	131
Production	5	2,348	–	22	2,375
Total	**71**	**2,789**	**6**	**77**	**2,943**

Relationship with staff

The Group operates a defined contributory staff retirement scheme in Hong Kong which has complied with all the respective requirements of the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong) ("**ORSO Scheme**"). The Company's ORSO Scheme has obtained a mandatory provident fund ("**MPF**") exemption certificate issued by the Mandatory Provident Fund Schemes Authority and is non-contributory for employees. With effect from 1 December 2000, all new employees of the Group are offered with the Mandatory Provident Fund Scheme ("**MPF Scheme**") membership only.

For the ORSO Scheme, upon termination of service or retirement, payment is made by the trustee of the scheme directly to the employee, or in the case of death, to his/her beneficiaries in accordance with the power of discretion vested in the trustee.

For the MPF Scheme, employees will receive their benefits at the age of 65 or upon being permanently disabled. In the case of death, the MPF account balance will be paid to the legal personal representative. If an employee leaves the Company, his/her account balances may be transferred to his/her new account under the MPF Scheme of the new employer.

The Group provides its management personnel and employees with on-the-job education, training and other opportunities to improve their skills and knowledge. The Group enters into individual employment contracts with its employees to cover matters such as wages, employee benefits and grounds for termination. Save as disclosed in this prospectus, the Group makes contribution to social security funds, including pension funds, work-related injury funds, medical insurance, unemployment insurance funds, as well as childbearing insurance for its female employees for its employees in the PRC. The Group also makes housing provident fund contributions for its employees in the PRC. Please refer to the paragraph headed "The Group's non-compliance with certain social security insurance and housing provident fund contributions laws and regulations in the PRC could lead to the imposition of fines and penalties" under the section headed "Risk Factors — Risks relating to the business of the Group" in this prospectus for further details.

The Group has not experienced any significant problems with its employees or disruption to its operations due to labour disputes nor has it experienced any difficulties in the recruitment and retention of experienced staff or skilled personnel. The Directors believe that the Group has a good working relationship with its employees.

AUDIT COMMITTEE

The Company established an audit committee on 31 December 2010 with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members, namely, Dr. Kwan Pun Fong Vincent, Mr. Au-Yang Cheong Yan Peter and Dr. Xue Quan, all being independent non-executive Directors. Dr. Kwan Pun Fong Vincent is the chairman of the audit committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 31 December 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are, amongst other things, to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and to make recommendation to the Board on the Group's policy and structure for all remuneration of the Directors and senior management. The remuneration committee has four members, comprising one executive Director, namely, Mr. Cheng and three independent non-executive Directors, namely, Mr. Au-Yang Cheong Yan Peter, Dr. Kwan Pun Fong Vincent and Dr. Xue Quan. Mr. Cheng is the chairman of the remuneration committee.

NOMINATION COMMITTEE

The Company established a nomination committee on 31 December 2010 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors. The nomination committee has four members, comprising one executive Director, namely, Mr. Cheng, and three independent non-executive Directors, namely, Mr. Au-Yang Cheong Yan Peter, Dr. Kwan Pun Fong Vincent and Dr. Xue Quan. Mr. Au-Yang Cheong Yan Peter is the chairman of the nomination committee.

DIRECTORS' REMUNERATION

The Directors had received remuneration in the form of basic salaries, benefits in kind, discretionary bonus and contribution to the pension scheme made by the Group during the Track Record Period. The aggregate remunerations paid to the Directors for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010 were approximately HK$5,339,000, HK$8,478,000, HK$8,800,000 and HK$4,373,000, respectively. Each of the executive Directors has entered into a service contract with the Company, further details of which are set out in the paragraph headed "Further information about Directors, management and staff" in Appendix VI to this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 31 December 2010 which, in the opinion of the Directors, will enable the Group to recruit and retain high-calibre employees and to improve employee loyalty. The principal terms of this scheme are summarised in the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus.

COMPLIANCE ADVISER

The Company will appoint China Merchants Securities as its compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise the Company on the following circumstances:

(i) before the publication of any regulatory announcement, circular or financial report (whether required by the Listing Rules or requested by the Stock Exchange or otherwise);

(ii) where a transaction, which might be a notifiable or connected transaction under Chapter 14 or 14A of the Listing Rules, is contemplated, including share issues and share repurchases;

(iii) where the Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the Group's business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and

(iv) where the Stock Exchange makes an inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment will commence on the Listing Date and end on the date on which the Company distributes its annual report of the Group's financial results for the first full financial year commencing after the Listing Date and such appointment may be extended by mutual agreement.

So far as the Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any options that may be granted under the Share Option Scheme and without taking into account the arrangement under the Stock Borrowing Agreement), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of the Company's subsidiaries:

(a) Interest in the Company

Name	**Company/name of associated corporation**	**Nature of Interest**	**Number of Shares held**	**Percentage of equity interest**
Dragon Fortune	The Company	Beneficial Interest	243,510,000	60.88%
Telefield Charitable Fund	The Company	Beneficial Interest	30,000,000	7.50%
Century Win	The Company	Interested in controlled corporation *(Note 1)*	243,510,000	60.88%
	The Company	Interested in controlled corporation *(Note 2)*	30,000,000	7.50%
Mr. Cheng	The Company	Interested in controlled corporation *(Note 3)*	243,510,000	60.88%
	The Company	Interested in controlled corporation *(Note 3)*	30,000,000	7.50%
Mrs. Cheng	The Company	Interested in controlled corporation *(Note 4)*	243,510,000	60.88%
	The Company	Interested in controlled corporation *(Note 4)*	30,000,000	7.50%

Notes:

(1) Century Win holds approximately 52.62% interest in Dragon Fortune. Therefore, Century Win is deemed or taken to be interested in all the Shares which are beneficially owned by Dragon Fortune for the purpose of the SFO.

(2) Century Win holds approximately 52.62% interest in Telefield Charitable Fund. Therefore, Century Win is deemed or taken to be interested in all the Shares which are beneficially owned by Telefield Charitable Fund for the purpose of the SFO.

(3) Mr. Cheng holds approximately 53.68% interest in Century Win and Century Win respectively holds approximately 52.62% interest in each of Dragon Fortune and Telefield Charitable Fund. Therefore, Mr. Cheng is deemed or taken to be interested in all the Shares which are beneficially owned by each of Dragon Fortune and Telefield Charitable Fund.

(4) Mrs. Cheng holds approximately 46.32% interest in Century Win and Century Win respectively holds approximately 52.62% interest in each of Dragon Fortune and Telefield Charitable Fund. Therefore, Mrs. Cheng is deemed or taken to be interested in all the Shares which are beneficially owned by each of Dragon Fortune and Telefield Charitable Fund.

(b) Interest in other members of the Group

Name of shareholder(s)	Name of subsidiary of the Company	Number of Shares held	Percentage of equity interest
Tarez	TrekStor (HK)	33	33%
Tarez	Telefield TrekStor	66	33%
Tavida	TrekStor (HK)	16	16%
Tavida	Telefield TrekStor	32	16%

Save as disclosed above, the Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any options that may be granted under the Share Option Scheme and without taking into account the arrangement under the Stock Borrowing Agreement), have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of the Company's subsidiaries.

Assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the Company's issued share capital immediately following the completion of the Capitalisation Issue and the Share Offer will be as follows:

The authorised and issued share capital of the Company is as follows:

Authorised share capital:		*HK$*
10,000,000,000	Shares	100,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:		
10,000	Shares in issue at the date of this prospectus	100
299,990,000	Shares to be issued pursuant to the Capitalisation Issue	2,999,900
100,000,000	Shares to be issued pursuant to the Share Offer	1,000,000
Total:		
400,000,000	Shares	4,000,000

Assuming the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the Company's issued share capital immediately following the completion of the Capitalisation Issue and the Share Offer will be as follows:

Authorised share capital:		*HK$*
10,000,000,000	Shares	100,000,000
Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:		
10,000	Shares in issue at the date of this prospectus	100
299,990,000	Shares to be issued pursuant to the Capitalisation Issue	2,999,900
100,000,000	Shares to be issued pursuant to the Share Offer	1,000,000
15,000,000	Shares to be issued upon exercise of the Over-allotment Option in full	150,000
Total:		
415,000,000	Shares	4,150,000

Ranking

The Offer Shares and the Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme will rank equally with all of the Shares now in issue or to be issued, and will qualify for all dividends or other distributions declared, made or paid on the Shares after the date of this prospectus, except for the entitlements under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of the Shareholders passed on 31 December 2010, subject to the share premium account of the Company being credited as a result of the issue of the Offer Shares pursuant to the Share Offer, the Directors are authorised to allot and issue a total of 299,990,000 Shares credited as fully paid at par to the holders of Shares on the register of members of the Company at the close of business on 31 December 2010 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK$2,999,900 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

Share Option Scheme

The Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the paragraph headed "Share Option Scheme" in Appendix VI to this prospectus.

General mandate to issue Shares

Conditional on the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to allot, issue and deal in the Shares with a total nominal value of not more than the sum of:

(1) 20% of the aggregate nominal amount of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option); and

(2) the aggregate nominal amount of the Shares repurchased by the Company (if any) pursuant to the repurchase mandate (as referred to below).

The Directors may, in addition to the Shares which they are authorised to issue under this mandate, allot, issue and deal in the Shares pursuant to a rights issue, scrip dividend scheme or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options that may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue or upon the exercise of the Over-allotment Option.

This mandate will expire:

– at the conclusion of the Company's next annual general meeting;

– on the date by which the Company is required by any applicable Cayman Islands law or the Articles of Association to hold its next annual general meeting; or

– when the authority given to the Directors is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earlier.

For further details of this general mandate, see the paragraph headed "Resolutions in writing of all the Shareholders passed on 31 December 2010" in Appendix VI to this prospectus.

General mandate to repurchase Shares

Conditional on the Share Offer becoming unconditional, the Directors have been granted a general unconditional mandate to exercise all powers of the Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal amount of the Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Repurchase by the Company of its own securities" in Appendix VI to this prospectus.

This mandate will expire:

– at the conclusion of next annual general meeting of the Company;

– on the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held; or

– when the authority given to the Directors is varied or revoked by an ordinary resolution of the Shareholders in general meeting,

whichever is the earlier.

For further details of this general mandate, see the paragraph headed "Resolutions in writing of all the Shareholders passed on 31 December 2010" in Appendix VI to this prospectus.

You should read this section in conjunction with the Group's audited combined financial statements, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. The combined financial statements have been prepared in accordance with HKFRSs. The following discussion and analysis contains certain forward-looking statements that reflect the Group's current views with respect to future events and financial performance. These statements are based on the assumptions and analysis made by the Company in light of the Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and predictions depends on a number of risks and uncertainties over which the Group does not have control. Please see the section headed "Risk Factors" in this prospectus.

All applicable new and revised HKFRSs, which are generally effective for the Track Record Period and are relevant to the Group, have been applied during the Track Record Period. The Group's financial information has been prepared under the historical cost convention with the exception of certain assets and liabilities, which (where appropriate) were measured at fair value.

MANAGEMENT DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION

Overview

The Group is an established EMS provider headquartered in Hong Kong, which offers one-stop solutions to a number of international brand owners of consumer electronic products. As the Group offers one-stop solutions to its customers including research and development, sourcing and procurement, production, sales and logistics and after-sales services, which are services provided by either ODM or OEM, the Directors believe that the term "EMS" which is generally used in consumer electronics industry, is best suited to describe the Group's business. The Group distinguishes itself from traditional EMS providers by the change of its business model from a sole EMS provider to an operator of both EMS and branded businesses through tapping into the branded products market in 2009. Please refer to the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus for the risks associated with the above-mentioned change in the Group's business model. The Group currently has a diversified customer base covering Japan, the Asia-Pacific region, the Americas and Europe, and with international brand owners of consumer electronic products as its EMS customers. During the Track Record Period, a considerable proportion of the Group's revenue under the EMS segment was generated from its ODM customers to whom the Group provided one-stop solutions including research and development, sourcing and procurement, production, sales and logistics and after-sales services. The Group's branded businesses include distribution of SMB phone systems under the "RCA" brand in North America and assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand in Europe. 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. The Directors believe that the "TrekStor" brand has enjoyed a good reputation in Germany in relation to portable storage devices and multimedia products before early 2009.

The Group is headquartered in Hong Kong. Whilst a majority of the Group's management team, administrative team and research team are in Hong Kong, most of its production and development activities are carried out in the PRC. While the Group's portable storage devices under the "TrekStor" brand are assembled in Germany, most of its products are manufactured in its production facilities in Guangzhou and Huizhou. The Group has leased offices in Shenzhen where some of its administrative and development activities are conducted. As at the Latest Practicable Date, the Group had (i) 17 fully automated SMT production lines; (ii) 22 production lines and 20 bonding machines for COB assembly; and (iii) approximately 2,400 full-time employees in its production facilities. The Group's production lines can, with minor adjustments, be used for the production of consumer electronic products for different EMS customers.

The Group's EMS business is principally conducted on a turnkey basis. Its one-stop solutions under the EMS business include research and development, sourcing and procurement, production, sales and logistics and after-sales services. The Directors consider that the Group's achievements in its EMS business are mainly attributable to the Group's relationships with certain international players in the global consumer electronic products industry, its expertise in providing flexible manufacturing solutions, as well as its experienced and dedicated management team and engineers.

Leveraging on its EMS capabilities, the Group has been developing its branded businesses since 2009. For the year ended 31 December 2009 and the eight months ended 31 August 2010, the Group had 61 and 74 customers for its branded businesses, respectively, who were mainly retailers and distributors. The revenue generated from the Group's branded businesses accounted for approximately 17.1% and 32.0% of the Group's total revenue for the year ended 31 December 2009 and the eight months ended 31 August 2010, respectively. Please refer to the paragraph headed "Branded businesses" under the section headed "Business – Business model" in this prospectus for further details of the Group's branded businesses. By developing the branded businesses, the Directors believe that the Group is able to (i) expand and enlarge its customer base across a wider geographical region covering the Americas and Europe; (ii) distinguish itself from traditional EMS providers by becoming a distributor of international brands of consumer electronic products; and (iii) operate a more vertically-integrated manufacturing business model supported by an international distribution network.

The Group's licensed brand business in North America is primarily related to the distribution of pre-approved models of SMB phone systems under the "RCA" brand through licensing arrangement under the RCA Licence Agreement, which is due to expire on 31 December 2013. Please refer to the paragraph headed "Branded businesses – Licensed brand products distribution business in North America – Licensing arrangement" under the section headed "Business – Business model" in this prospectus for details of the licensing arrangements. According to NPD, for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the retail revenue of SMB phone systems in the US amounted to approximately US$129.9 million, US$101.3 million, US$82.4 million and US$51.1 million, respectively. For the year ended 31 December 2009 and the eight months ended 31 August 2010, revenue generated from the distribution business of SMB phone systems under the "RCA" brand accounted for approximately 14.3% and 15.1% of the Group's total revenue, respectively. Although the Group has started preliminary discussion to renew the RCA Licence

Agreement, there is no assurance that the Group could secure the renewal on favourable terms or at all. Please refer to the paragraph headed "The Group's branded businesses have a short track record and the Group may not be able to realise the benefits envisioned for its expansion into the branded businesses – Distribution of SMB phone systems under the 'RCA' brand" under the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus for further details of the relevant risks.

In addition, the Group has assembled and/or distributed portable storage devices and/or multimedia products under the "TrekStor" brand, which are marketed and distributed to electronics superstores and other retailers mainly in Germany and various other countries in Europe. The Group's own brand business under the "TrekStor" brand recorded a net loss of approximately HK$22.3 million during the eight months ended 31 August 2010. The loss was mainly attributable to (i) sales picked up slowly when the Group was re-establishing the business relationship with the customers of TrekStor GmbH & Co. KG (in liquidation) while the Group was obliged to continue to pay for overhead costs such as staff costs and rent; and (ii) the Group was taking steps to resume new product development to introduce new products to the market. Please refer to the sub-section headed "Review of historical operating results" in this section for further details.

BASIS OF PREPARATION OF FINANCIAL INFORMATION

In preparation for the Listing, the Company was incorporated in the Cayman Islands on 18 May 2010.

In anticipation of the Share Offer, the Group has undertaken the Reorganisation, details of which are set out in the section headed "History, Reorganisation and Group Structure" in this prospectus and the paragraph headed "Group reorganisation" in Appendix VI to this prospectus.

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 31 December 2010. Since the Company and the companies now comprising the Group are under common control both before and after the completion of the Reorganisation, the financial information has been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined cash flow statements of the Group for the Track Record Period include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the Track Record Period, or since their respective dates of acquisition, incorporation or establishment, as the case may be. The combined statements of financial position of the Group as at 31 December 2007, 31 December 2008 and 31 December 2009 and 31 August 2010 have been prepared to present the state of affairs of the Group as if the current structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the Company as at the respective dates.

All intra-group transactions and balances have been eliminated on combination.

KEY FACTORS AFFECTING THE GROUP'S RESULTS OF OPERATIONS AND FINANCIAL POSITION

The Group's business, results of operations and financial position have been and will continue to be affected by a number of factors, many of which are beyond the Group's control. Significant factors include, among others, the following:

Market demand for consumer electronic products

The Group provides EMS and distribution solutions mainly to international leading consumer electronic products brand name vendors, retailers and distributors. It also has its own branded products distribution of consumer electronic products since 2009. The Group's results of operations are therefore directly affected by its revenue, which primarily depends on the global consumption of consumer electronic products. In general, the Group derives the highest gross profit margin from its EMS non-telecommunications and branded businesses. The demand for the Group's consumer electronic products is also generally dependent on the social and economic conditions of various places in the world, mainly in North America and Europe. Such demand is also dependent on the evolving technologies in the consumer electronic products industry. The higher the speed of technological advancement in the consumer electronic products industry, the faster the existing products will become obsolete and therefore the higher demand for new and more innovative products. The Directors believe that the key to the Group's success is its ability to identify technological and market trends, so as to develop new technologies and designs that match the frequent changes in the demand from end-users.

Product mix and profit margins

For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, non-telecommunications products were the Group's major revenue driver, accounting for approximately 41.8%, 58.0%, 64.9% and 70.4% of the Group's total revenue, respectively. During the same period, the Group's overall gross profit margins were approximately 11.7%, 16.1%, 22.8% and 22.1%, respectively.

The Group's operating results are affected by the Group's product mix as gross profit margin varies with different products. During the Track Record Period, the Group had been capturing opportunities to change its product mix to niche products that offered higher gross margins, the majority of which were non-telecommunications products, as well as extending its operations into the distribution of branded products through the recently acquired licensed brand business in North America and own brand business in Europe. In particular, the gross profit margin of the Group's products increases when the technological know-how involved and elements of product differentiation, such as branding, product uniqueness and product features, increase. The Group's profit margins will be adversely affected if the percentage contribution from its EMS non-telecommunications products and branded products decrease, or if their profit margins decrease. The Group's ability to maintain and increase its profit margins depends on the intensity of market competition, market supply and demand, product quality and the costs of raw materials and components. The Directors expect to adjust the Group's product mix constantly in response to changes in demand and pricing for each product.

Production capacity

The Group has been expanding the scale of its production, mainly through the expansion of its production facilities in Guangzhou and Huizhou, the PRC. The Group's capital expenditures on plant, machinery, moulds and tools for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010 were approximately HK$11.0 million, HK$19.0 million, HK$14.2 million and HK$5.4 million, respectively, which mainly comprised the purchase of SMT production lines, automatic insertion machines and bonding machines. The Group's results have been and will continue to be affected by the degree to which its production capacity could meet customers' demand. The Directors expect the capital expenditure increases relating to the expansion of the Group's production capacity will have a positive impact on its results of operations.

As at the Latest Practicable Date, the Group had a total of 17 SMT production lines, 22 automatic insertion machines and 20 bonding machines.

The following table shows the maximum annual production capacity, the estimated average utilisation rate and peak month utilisation rate for the Group's SMT production lines, automatic insertion machines and bonding machines for the periods indicated:

	Year ended 31 December			Eight months ended 31 August
	2007	2008	2009	2010
Maximum annual production capacity (million units processed)				
SMT production lines	1,369.4	1,945.9	2,522.5	2,522.5
Automatic insertion machines	140.2	140.2	140.2	140.2
Bonding machines	538.7	1,131.7	1,131.7	1,131.7
Estimated average utilisation rate (%)				
SMT production lines	83.1	92.8	71.6	81.1
Automatic insertion machines	102.2	103.0	81.7	97.7
Bonding machines	104.0	81.1	50.4	60.7
Estimated peak month utilisation rate (%)				
SMT production lines	122.6	135.5	99.9	97.7
Automatic insertion machines	142.1	144.6	126.0	125.2
Bonding machines	137.1	115.1	71.1	82.2

Notes:

(1) Maximum annual capacity for SMT production lines, automatic insertion machines and bonding machines are measured in units processed per machine hour and calculated based on the following formula:

Number of machines X Number of units produced per machine hour X 22 hours per day X 26 days per month X 12 months.

(2) Estimated average utilisation rates are computed based on the actual number of units processed divided by the estimated maximum annual production capacity, whilst estimated peak month utilisation rates are computed based on the same method on a monthly basis.

(3) Utilisation of the Group's production lines and machines had often exceeded their maximum capacity during the Track Record Period. This was mainly achieved through (i) increasing machine hours by engaging labour to work extra overtime; and (ii) increasing output per machine hour by producing at a rate exceeding the optimal maximum output rate recommended by the machine vendors.

The decrease in the utilisation rates of the Group's SMT production lines, automatic insertion machines and bonding machines was mainly attributable to (i) the slight decrease in the Group's revenue for the year ended 31 December 2009; and (ii) the change in product mix reduced the number of parts processed by these machines as production shifted towards products that required relatively less parts to be processed by these machines.

Production capacity for the Group's EMS operations can be readily increased or decreased as it depends principally on the availability of machineries, factory floor space and the supply of labour.

Seasonality factors

The Group's revenue has been affected by the seasonal demand for its products. The Group generally receives more orders for delivery in the second half of the year, which the Directors believe was primarily attributable to the traditional peak seasons in sales in the consumer markets in the second half of the year in North America and Europe.

The following table sets forth the seasonal trend of the Group's revenue for the three years ended 31 December 2007, 2008 and 2009:

	Year ended 31 December					
	2007		**2008**		**2009**	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*
First half	229,392	40.7	358,366	42.2	346,264	42.1
Second half	334,660	59.3	490,126	57.8	475,634	57.9
	564,052	100.0	848,492	100.0	821,898	100.0

Production costs

Raw materials costs represent a significant portion of the Group's total cost of goods sold. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, such costs represented approximately 85.5%, 84.9%, 83.9% and 83.0%, respectively, of the Group's total cost of goods sold. As such, any significant fluctuation in the price of raw materials may have a significant impact on the Group's profitability.

Raw materials and components used in the Group's production mainly include ICs, PCBs, plastic, motor and battery. In recent years, the Group experienced price fluctuations for some raw materials due to various factors including the changes in demand and supply for commodities. Nevertheless, the Group has been able to reduce, to a limited extent, the impact of price fluctuations of raw materials by making bulk purchases and procuring from geographically-diversified sources. The Directors believe that the long-term relationships with its major suppliers enhance the Group's bargaining power and ability to obtain better prices.

Changes in the Group's customer base

The Group's revenue is affected by its customer base. The Group's top five customers accounted for approximately 84.4%, 77.7%, 68.6% and 70.3% of the Group's total revenue for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The Group's sales is dependent on the orders from the Group's top five customers which are leading international consumer electronic products brand name vendors or distributors. Although the respective share of revenue generated from the Group's top five customers may change in the long-run, the Directors expect the Group to continue to generate a significant portion of its revenue from its current top five customers.

As different customers require different products, changes in the Group's customers profile will continue to affect the relative contribution of the Group's different types of products to the Group's revenue and gross profit. The enhancement of the EMS capacity of the Group in late 2008 facilitated the growth of its business activities and the changes in customer base in the sector.

The development of the licensed brand business in North America and own brand business in Europe also widened the customer base of the Group in the consumer electronic products market, by bringing in several superstore chains, retailers and distributors, two of whom were amongst the Group's top five customers for the eight months ended 31 August 2010.

RECENT DEVELOPMENTS FROM A FINANCIAL PERSPECTIVE

Subsequent sales

During the period from 31 August 2010 to 30 November 2010, the Group generated from external customers an aggregate revenue of approximately HK$125.9 million from its licensed brand business segment and own brand business segment. During the same period, the Group had confirmed external EMS customers' orders amounting to approximately HK$299.6 million, of which approximately HK$216.4 million have been fulfilled as at 30 November 2010. However, it is worth noting that, due to the possibility of changes in the Group's customers' delivery schedules or cancellations and potential delays in delivery, product orders as at any particular date may not be indicative of sales for any succeeding period.

Trends

The trends observed by the Directors during 2010 are as follows:-

(i) the overall sales volume of the Group's products is expected to increase in line with higher demand for the Group's products. In particular, the Directors expect higher percentage growth in revenue generated from the sale of non-telecommunications products compared to that from telecommunications products, which is in line with the Group's business strategies as set out in the section headed "Business – Business strategies" in this prospectus;

(ii) the Group has not entered into long term contracts with all of its customers, and as such, the selling prices for some of the Group's existing products are subject to downward price revisions due to, *inter alia*, price competition from other suppliers, rapid technological changes and short product life cycles. Rapid technological changes and short product life cycles lead to new products being introduced to the market at a faster pace and which may cause selling prices of existing products to drop. Please refer to the section headed "Industry Overview — Competitive landscape" and the section headed "Business — Competition" in this prospectus for further details. As existing products are being phased out or suffer from lower profit margins, the Directors intend to continue to work with the Group's customers to develop new products to sustain profitability; and

(iii) as outlined in the paragraph headed "The Group relies on its suppliers to supply quality raw materials and components" in the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus, the Directors consider the adequacy of major raw materials and components and the stability in their prices to be crucial to the Group's continued success to deliver satisfactory results of operations. Based on the Group's trading record during the Track Record Period, the Directors believe that the Group has an adequate pipeline of suppliers to ensure the adequacy of raw materials and components supply, whilst the Group's ability to focus on high volume, low mix products will enable it to leverage on its bargaining power on bulk purchases of raw materials and components.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Group's significant accounting policies, which are important for an understanding of the Group's results of operations and financial position, are set forth in detail in note 4 to the Accountants' Report set out in Appendix I to this prospectus. Critical accounting policies are those that are most important to the portrayal of the Group's results of operations and financial position and require management's most difficult, subjective, or complex judgment, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting the estimate may differ significantly from management's current judgments. The Group believes the following critical accounting policies involve the most significant estimates and judgments used in the preparation of the Group's financial statements.

(a) Merger accounting for business combination under common control

Pursuant to the sale and purchase agreement dated 31 December 2009, Telefield (BVI) acquired Aiko and its subsidiaries (the "**Aiko Group**") from Vita Health Enterprises Limited (the "**Acquisition**"). Aiko Group was beneficially owned and jointly controlled by the Controlling Shareholders. The Acquisition was completed on 31 December 2009.

The Aiko Group is principally engaged in the trading of electrical appliances, provision of consultancy and agency services.

As Telefield (BVI) and the Aiko Group were both controlled by the Controlling Shareholders before and after the Acquisition, the Acquisition was accounted for as a business combination of entities under common control. The financial statements of the enlarged group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Acquisition had occurred from the date when the combining entities first came under the control of Controlling Shareholders.

The combined income statements and combined statements of comprehensive income and combined statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The combined statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the group structure as at completion date of the Acquisition had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(b) Business combination (other than under common control) and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

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 note 4(aa) to the Accountants' Report set out in Appendix I to this prospectus. Impairment losses of goodwill are recognised in consolidated profit or loss 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 non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The combined financial statements are presented in HK dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– all resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Fixed assets

Land and buildings comprise mainly warehouse and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other fixed assets 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 recognised in profit or loss during the period in which they are incurred.

Revaluation increases of land and building are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and buildings, the attributable revaluation increase remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts over the estimated useful lives on a straight line basis. The principal annual rates are as follows:

Leasehold land and buildings	4%
Leasehold improvements	Over the lease term or 25%
Plant, machinery, moulds and tools	10% – 25%
Furniture and equipment	20%
Motor vehicles	20% – $33^{1}/_{3}$%

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

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(f) Intangible assets

Trademarks are measured initially at fair value upon business combination and are assessed to have indefinite useful lives. No amortisation should be charged to profit or loss. Useful lives should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for the trademarks. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate.

Licence rights and customer relationship are measured initially at fair value upon business combination and amortised on straight-line basis over their estimated useful lives less impairment losses. Useful lives of licence rights and customer relationship are as follows:

Licence rights	4.8 years
Customer relationship	6.0 years

The useful life of customer relationship of six years was estimated by the Company's management team upon business combination, based on their expected successful rate in retaining the acquirees' customers, and the prevailing general practice in the industry in estimating the expected useful life of customer relationship acquired in business combination.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(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 receivable's 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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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.

RESULTS OF OPERATIONS

The following table sets forth the combined income statements of the Group for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, which are derived from the Group's combined income statements included in the Accountants' Report set out in Appendix I to this prospectus.

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue	564,052	848,492	821,898	496,794	689,541
Cost of goods sold	(497,797)	(712,162)	(634,166)	(380,675)	(537,076)
Gross profit	66,255	136,330	187,732	116,119	152,465
Other income	5,636	3,819	12,371	4,630	5,862
Selling and distribution costs	(12,767)	(17,413)	(39,851)	(19,043)	(46,608)
Administrative expenses	(27,565)	(40,299)	(52,996)	(28,000)	(49,658)
Other operating expenses	(12,752)	(20,530)	(22,507)	(9,406)	(14,619)
Profit from operations	18,807	61,907	84,749	64,300	47,442
Finance costs	(1,969)	(1,844)	(947)	(607)	(2,328)
Gain on disposal of subsidiaries	–	–	1,596	784	–
Share of loss of an associate	(297)	(17)	–	–	–
Profit before tax	16,541	60,046	85,398	64,477	45,114
Income tax expense	(2,188)	(8,792)	(12,731)	(10,913)	(9,155)
Profit for the year/period	14,353	51,254	72,667	53,564	35,959
Attributable to:					
Owners of the Company	14,353	51,258	76,216	53,564	47,179
Non-controlling interests	–	(4)	(3,549)	–	(11,220)
	14,353	51,254	72,667	53,564	35,959
Earnings per share					
Basic (HK cents)	3.59	12.81	19.05	13.39	11.79

DESCRIPTION OF SELECTED LINE ITEMS IN THE COMBINED INCOME STATEMENTS

Revenue

Revenue represents the sales value of goods supplied to the Group's customers, excluding value-added tax and after deduction of any trade discounts and returns. The Group generates revenue through its three business segments, namely, EMS, licensed brand business in North America and own brand business in Europe, from the manufacture and/or sale of telecommunications and non-telecommunications products. The table below sets forth the Group's revenue generated by the Group's three business segments, including a breakdown of the Group' s EMS segment into two principal product lines, namely, telecommunications products and non-telecommunications products, and into principal products, in absolute amounts and as a percentage of the Group's total revenue from external customers, for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
EMS										
Telecommunications products										
– Corded and cordless residential telephones and SMB phone systems	328,342	58.2	356,504	42.0	171,148	20.8	101,897	20.5	99,651	14.5
Non-telecommunications products										
– Appliances and appliances control products	102,495	18.2	322,408	38.0	374,914	45.6	249,386	50.2	302,147	43.8
– Multimedia products	90,440	16.0	111,931	13.2	57,109	7.0	32,231	6.5	19,599	2.8
– Computer accessories	–	–	–	–	13,550	1.6	337	0.1	13,719	2.0
– Beauty care equipment	11,424	2.0	8,842	1.0	1,557	0.2	1,379	0.3	2,937	0.5
– Others	31,351	5.6	48,807	5.8	63,598	7.7	45,019	9.0	30,620	4.4
EMS segment subtotal	564,052	100.0	848,492	100.0	681,876	82.9	430,249	86.6	468,673	68.0

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Branded businesses										
Telecommunications products										
– SMB phone systems (Licensed brand business)	–	–	–	–	117,367	14.3	66,545	13.4	104,562	15.1
Non-telecommunications products										
– Portable storage devices and multimedia products (Own brand business)	–	–	–	–	22,655	2.8	–	–	116,306	16.9
Branded businesses segment subtotal	–	–	–	–	140,022	17.1	66,545	13.4	220,868	32.0
Total	**564,052**	**100.0**	**848,492**	**100.0**	**821,898**	**100.0**	**496,794**	**100.0**	**689,541**	**100.0**

The Group's total revenue was approximately HK$564.1 million, HK$848.5 million and HK$821.9 million for the three years ended 31 December 2007, 2008 and 2009, respectively, representing a CAGR of approximately 20.7%. The Group's total revenue for the eight months ended 31 August 2010 was approximately HK$689.5 million, representing an increase of approximately 38.8%, or approximately HK$192.7 million, from approximately HK$496.8 million for the eight months ended 31 August 2009.

In general, despite the overall adverse impact of the 2008 financial turmoil on the EMS industry, the Group managed to maintain a similar revenue level in 2009 as that of 2008 mainly due to the additional revenue contribution from the licensed brand business in North America and the own brand business in Germany. In particular, the growth in the sale of non-telecommunications products had been the major contributor to the overall growth in the Group's revenue during the Track Record Period.

Telecommunications products of the Group's EMS and branded businesses segments mainly include corded/cordless residential telephones and SMB phone systems. The contribution of telecommunications products to the Group's total revenue had decreased gradually during the Track Record Period, accounted for approximately 58.2%, 42.0%, 35.1% and 29.6% for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively.

The decrease in the sale of telecommunications products was mainly attributable to the exit of one of the Group's major EMS customers, an internationally renowned distributor to whom the Group supplied residential telephones and SMB phone systems, including SMB phone systems under the "RCA" brand, from the North American market in December 2008. Seeking to prevent an irrecoverable loss of revenue source as well as to vertically integrate, the Group concluded the RCA Agreements in February 2009, under which TFNA(US) was granted an exclusive licence to distribute SMB phone systems in North America under the "RCA" brand, details of which are set out in the section headed "History, Reorganisation and Group Structure" in this prospectus. As such, the Group was able to partially offset the decrease in revenue through revenue generated by TFNA (US), which now constitutes the Group's licensed brand business segment. The corresponding licensed brand telecommunications products revenue accounted for approximately 14.3% and 15.1% of the Group's total revenue for the year ended 31 December 2009 and the eight months ended 31 August 2010, respectively. By taking the initiative to integrate its business vertically, the Group prevented the loss of a sizeable market for one of its major products.

Non-telecommunications products of the Group's EMS segment mainly include appliances and appliances control products and multimedia products; whilst non-telecommunications products of the Group's own brand business segment mainly include portable storage devices and multimedia products. Non-telecommunications products contributed approximately 41.8%, 58.0%, 64.9% and 70.4% of the Group's total revenue for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively; whilst the revenue generated from their sales increased from approximately HK$235.7 million for the year ended 31 December 2007 to approximately HK$533.4 million for the year ended 31 December 2009, representing a CAGR of approximately 50.4%.

The growth in the revenue generated from non-telecommunications products was mainly attributable to the following factors:

(i) the initiation of revenue generation from the own brand business segment under the "TrekStor" brand upon the acquisition of the Group's own brand business in Germany in November 2009, details of which are set out in the section headed "History, Reorganisation and Group Structure" in this prospectus. Revenue generated from this segment accounted for approximately 2.8% and 16.9% of the Group's total revenue for the year ended 31 December 2009 and the eight months ended 31 August 2010, respectively; and

(ii) an increase in the sale of one of the Group's EMS appliances and appliances control products, automatic aerosol dispensing systems, revenue generated from which increased from approximately HK$7.7 million for the year ended 31 December 2007 to approximately HK$300.9 million for the year ended 31 December 2009, representing a CAGR of approximately 525.1%, whilst accounting for approximately 1.4%, 25.5%, 36.6% and 34.1% of the Group's total revenue, respectively, for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010.

By taking these initiatives, the Group enhanced its distribution network and broadened its source of revenue.

The Group's sales were derived from customers in different geographical markets. The following table sets forth a breakdown of the Group's revenue by sales region during the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
Americas	196,502	34.8	390,418	46.0	319,136	38.8	194,176	39.1	217,587	31.6
Europe	90,069	16.0	210,971	24.9	267,687	32.6	162,302	32.7	323,048	46.8
Asia-Pacific region and Japan	277,481	49.2	247,103	29.1	235,075	28.6	140,316	28.2	148,906	21.6
	564,052	100.0	848,492	100.0	821,898	100.0	496,794	100.0	689,541	100.0

For the two years ended 31 December 2007 and 2008, the Group's customers were mainly located in the Americas, the Asia-Pacific region and Japan, and their aggregate revenue accounted for approximately 84.0% and 75.1%, respectively, of the Group's total revenue. For the year ended 31 December 2009, approximately 38.8%, 32.6% and 28.6% of the Group's revenue was derived from the Americas, Europe, the Asia-Pacific region and Japan, respectively. The shift was primarily attributable to the relocation of one of the Group's major customers from the Americas to Europe, coupled with the expansion of the Group's European distribution network via TrekStor (Germany), whilst the revenue derived from the Asia-Pacific region and Japan decreased along with the decreasing number of product orders, mainly due to the cessation of the business of one of the Group's major customers in the region. In the first eight months of 2010, the geographical distribution of the Group's customers further shifted towards the European market with the growing contribution from TrekStor (Germany).

Cost of goods sold

The Group's cost of goods sold primarily consist of raw materials costs, direct labour costs, rent and utilities, and depreciation. The following table sets forth a breakdown of the Group's cost of goods sold as a percentage of total costs of goods sold for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (unaudited)	*%*	*HK$'000*	*%*
Raw materials costs	425,793	85.5	604,475	84.9	532,155	83.9	320,774	84.3	445,688	83.0
Direct labour costs	40,493	8.1	60,380	8.5	56,267	8.9	32,994	8.7	53,202	9.9
Rent and utilities	9,188	1.9	11,541	1.6	13,178	2.1	8,891	2.3	9,953	1.8
Depreciation	7,723	1.6	10,571	1.5	9,812	1.5	6,214	1.6	7,299	1.4
Others	14,600	2.9	25,195	3.5	22,754	3.6	11,802	3.1	20,934	3.9
Total	497,797	100.0	712,162	100.0	634,166	100.0	380,675	100.0	537,076	100.0

Raw materials costs constituted a majority of the Group's costs of goods sold for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010. Raw materials and components used in the Group's production processes mainly comprised ICs, PCBs, plastic, motor and battery, which in aggregate accounted for approximately 42.1% of the Group's total cost of goods sold for the year ended 31 December 2009.

The Group's depreciation expenses constituted a comparatively small proportion of its cost of goods sold. The Directors believe that the Group's sensible design of production facilities and cautious procurement of necessary equipment have enabled it to operate efficiently with a relatively small asset base.

Gross profit and gross profit margin

The Group's gross profit, which represents the Group's revenue for the Track Record Period less cost of goods sold, was approximately HK$66.3 million, HK$136.3 million, HK$187.7 million and HK$152.5 million for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. During the same period, the Group's gross profit margin was approximately 11.7%, 16.1%, 22.8% and 22.1%, respectively.

The table below sets forth a breakdown of the Group's gross profit and gross profit margin ("**GPM**") for its business segments, principal product lines and principal products, for the periods indicated:

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
		GPM		GPM		GPM		GPM		GPM
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* *(unaudited)*	*%*	*HK$'000*	*%*
EMS										
Telecommunications products										
– Corded and cordless residential telephones and SMB phone systems	19,075	5.8	31,078	8.7	13,655	8.0	8,186	8.0	9,711	9.7
Non-telecommunications products										
– Appliances and appliances control products	36,839	35.9	86,571	26.9	115,216	30.7	78,606	31.5	80,023	26.5
– Multimedia products	7,407	8.2	15,765	14.1	10,742	18.8	4,199	13.0	5,460	27.9
– Computer accessories	–	–	–	–	528	3.9	86	25.5	1,446	10.5
– Beauty care equipment	2,054	18.0	1,045	11.8	464	29.8	361	26.2	446	15.2
– Others	880	2.8	1,871	3.8	7,674	12.1	4,502	10.0	6,753	22.1
EMS segment gross profit and GPM	66,255	11.7	136,330	16.1	148,279	21.7	95,940	22.3	103,839	22.1

	Year ended 31 December						Eight months ended 31 August			
	2007		2008		2009		2009		2010	
		GPM		GPM		GPM		GPM		GPM
	HK$'000	*%*	*HK$'000*	*%*	*HK$'000*	*%*	*HK$'000* (*unaudited*)	*%*	*HK$'000*	*%*
Branded businesses										
Telecommunications products										
– SMB phone systems (Licensed brand business)	–	–	–	–	35,281	30.1	20,179	30.3	33,732	32.3
Non-telecommunications products										
– Portable storage devices and multimedia products (Own brand business)	–	–	–	–	4,172	18.4	–	–	14,894	12.8
Branded business segment gross profit and GPM	–	–	–	–	39,453	28.2	20,179	30.3	48,626	22.0
Total gross profit and overall GPM	**66,255**	**11.7**	**136,330**	**16.1**	**187,732**	**22.8**	**116,119**	**23.4**	**152,465**	**22.1**

The table above demonstrated an uptrend in the Group's gross profit and gross profit margin, with gross profit margin increasing across all business segments from 2007 to 2009, whilst remaining stable during the eight months ended 31 August 2010. This was primarily attributable to:

(i) the Group's strategic vertical expansion into the branded businesses in 2009 that now constitutes its branded business segments. In particular, the sale and distribution of branded SMB phone systems under the "RCA" brand in North America under the Group's licensed brand business segment delivered higher gross profit margin than the Group's EMS segment;

(ii) whilst the Group was presented with opportunities to mass produce new products having built up its reputation in the EMS industry by offering high quality products, the high flexibility of the Group's production facilities enabled the Group to adjust its production to alternate products in a timely manner to capture such opportunities, details of which are outlined in the paragraph headed "Production facilities" under the section headed "Business – Production" in this prospectus. In particular, during the Track Record Period, after demonstrating high product quality during a trial production period of approximately nine months, the Group secured orders for the mass production of automatic aerosol dispensing systems. This gave rise to economies of scale in the form of increased production efficiency through continual mass production of similar products and enhanced bargaining power over suppliers of raw materials and components as a result of frequent bulk purchases, as well as higher bargaining power over the relevant customer having demonstrated its ability to consistently produce high-quality products, resulting in higher gross profit margin; and

(iii) adequate sums being invested in production equipment and research and development enhanced the level of automation in production which further improves production efficiency.

Other income

Other income amounted to approximately HK$5.6 million, HK$3.8 million, 12.4 million and HK$5.9 million for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The Group's other income mainly comprised proceeds from sales of scrapped materials, gains on derivative instruments and discount on acquisitions. Other income remained fairly stable throughout the Track Record Period except that there was a discount on acquisitions arising on business combinations of approximately HK$9.0 million for the year ended 31 December 2009, of which approximately HK$2.4 million was accounted for in the eight months ended 31 August 2009.

Selling and distribution expenses

The Group's selling and distribution expenses mainly include staff costs, promotion and after-sales services expenses, freight and transportation costs, amortisation of intangible assets and commission. The table below sets forth the Group's selling and distribution expenses for the periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Staff costs	5,684	9,010	16,187	6,991	16,596
Promotion and after-sales services expenses	131	135	6,695	3,092	10,462
Freight and transportation costs	4,081	5,770	6,481	3,685	6,372
Amortisation of intangible assets	–	–	5,564	3,278	4,729
Commission	1,407	1,305	2,434	570	5,586
Others	1,464	1,193	2,490	1,427	2,863
	12,767	17,413	39,851	19,043	46,608

For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, total selling and distribution expenses accounted for approximately 2.3%, 2.1%, 4.8% and 6.8%, respectively, of the Group's revenue. The increase in selling and distribution expenses as a percentage of the Group's revenue since the year ended 31 December 2009 was mainly attributable to the increases in staff costs, promotion and after-sales services expenses, amortisation of intangible assets and commission expenses, primarily as a result of the Group's expansion into the branded businesses.

Administrative expenses

The Group's administrative expenses mainly include staff costs, office expenses and rental, travelling and entertainment expenses and legal and professional fees. The table below sets forth the Group's administrative expenses for the periods indicated:

	Year ended 31 December			Eight months ended 31 August	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Staff costs	15,018	20,293	28,283	15,216	27,137
Office expenses and rental	3,642	4,513	5,482	3,227	6,380
Travelling and entertainment expenses	1,766	2,067	3,587	1,915	4,412
Legal and professional fees	3,151	4,846	5,135	2,019	3,271
Insurance	538	422	1,332	559	1,188
Depreciation	1,266	1,274	1,402	835	1,115
Exchange difference	516	2,777	998	2,033	3,498
Others	1,668	4,107	6,777	2,196	2,657
	27,565	40,299	52,996	28,000	49,658

Administrative expenses represented approximately 4.9%, 4.7%, 6.4% and 7.2% of the Group's revenue for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The increase in the Group's administrative expenses as a percentage of its revenue since the year ended 31 December 2009 was primarily attributable to the increases in staff costs, exchange difference, office expenses and rental and travelling and entertainment expenses in relation to the Group's expansion into the branded businesses.

Other operating expenses

Other operating expenses mainly comprised research and development expenses. The Group places a strong focus on research and development. As a result, the Group's research and development expenses as a percentage of revenue increased gradually during the Track Record Period, represented approximately 1.9%, 2.0%, 2.3% and 1.7% of its revenue for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively.

Finance costs

The Group's finance costs mainly comprise interest payments for the Group's bank loans, import/export loans and factoring loans.

For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group's finance costs were approximately HK$2.0 million, HK$1.8 million, HK$0.9 million and HK$2.3 million, represented approximately 0.3%, 0.2%, 0.1% and 0.3% of its revenue, respectively.

Income tax expense

The Group's income tax expense represents amounts of income tax paid by the Group, at the applicable tax rates in accordance with the relevant laws and regulations in Hong Kong, PRC, the US and Germany. The Group had no tax payable in other jurisdictions during the Track Record Period.

The Group's effective income tax rates for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010 were approximately 13.2%, 14.6%, 14.9% and 20.3%, respectively. The increase in the Group's effective tax rates during the Track Record Period was primarily attributable to the higher statutory tax rates imposed in foreign jurisdictions on the Group's overseas subsidiaries, which commenced operations in 2009 pursuant to a series of business combinations, details of which are outlined in the section headed "History, Reorganisation and Group Structure" in this prospectus.

Hong Kong profits tax

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the combined statement of comprehensive income.

The applicable Hong Kong profits tax rates for the Group's subsidiaries incorporated in Hong Kong was 17.5% for the year ended 31 December 2007 and 16.5% for the two years ended 31 December 2008 and 2009 and the eight months ended 31 August 2010, respectively.

PRC Enterprise Income tax

For the year ended 31 December 2007, members of the Group in the PRC were subject to 《中華人民共和國外商投資企業和外國企業所得稅法》(the PRC Enterprise Income Tax Law for Foreign Invested Enterprises and Foreign Enterprises) (the "**Old PRC Tax Law**"), which was abolished on 1 January 2008. For the two years ended 31 December 2008 and 2009 and the eight months ended 31 August 2010, they were subject to the PRC Enterprise Income Tax Law.

The applicable PRC statutory enterprise income tax rate for wholly foreign-owned enterprises was 33%, comprising a state tax rate of 30% and a local tax rate of 3% for the year ended 31 December 2007 and has been changed to a unified tax rate of 25% for all types of enterprises with effect from 1 January 2008.

Aiko (Shenzhen) was subject to an income tax rate of 15% for the year ended 31 December 2007 pursuant to the Old PRC Tax Law, and was subject to an enterprise income tax rate of 18%, 20% and 22% for the two years ended 31 December 2008 and 31 December 2009 and the eight months ended 31 August 2010, respectively, pursuant to《國務院關於實施企業所得稅過渡優惠政策的通知》(the Notice of the State Council on the Implementation of the Transitional Preferential Policies in respect of Enterprise Income Tax).

Guangzhou Telefield was a production-oriented sino-foreign cooperative joint venture located in the coastal economy open zone of Guangzhou. Pursuant to the Old PRC Tax Law and relevant rules, Guangzhou Telefield was eligible for a preferential income tax rate of 27%. Furthermore, Guangzhou Telefield was entitled to a reduction of enterprise income tax by 50% pursuant to Article 75 of《中華人民共和國外商投資企業和外國企業所得稅法實施細則》(the Detailed Rules for the Implementation of the PRC Income Tax Law for Foreign Invested Enterprises and Foreign Enterprises) and was waived from payment of local income tax pursuant to Article 5 of《廣東省關於外商投資企業免徵、減徵地方所得稅的規定》(the Provisions of Guangdong Province on the Reduction and Exemption of Local Income Tax on Foreign Invested Enterprises) for the year ended 31 December 2007.

Save as disclosed above, other companies located in the PRC have not been granted any preferential tax treatment and were subject to tax at their statutory tax rates of 33% for the year ended 31 December 2007, and 25% for the two years ended 31 December 2008 and 2009 and the eight months ended 31 August 2010.

Overseas income tax

The Company's indirect wholly-owned subsidiary, TFNA (US), is incorporated in the US and is subject to federal and state income taxes on its worldwide income. The US has graduated federal corporate tax rates between 15% and 35%. State tax rates vary based on the location of the corporation's activities. TFNA (US)'s net state tax rate is approximately 5%. There is no tax treaty between the US and Hong Kong. Dividends paid by the TFNA (US) will be subject to a withholding rate of 30%.

TrekStor (Germany) is subject to German Corporate Income Tax ("**GCIT**"), levied at a rate of 15%, as well as a Solidarity Surcharge levied at a rate of 5.5% of the GCIT. The combined tax rate of GCIT and Solidarity Surcharge is 15.825%. In addition, TrekStor (Germany) is also subject to a municipal trade tax ("**MTT**") imposed by the Lorsch municipality, and the applicable MTT rate is 11.55%. Dividends payments are subject to withholding tax at a rate of 25% plus Solidarity Surcharge, resulting in an effective rate of 26.375%. In case the withholding tax according to a double tax treaty is lower, the German withholding tax can be determined according to the reduced rate if a respective certificate of the Federal Tax Office is granted in advance. Licence fee payments are subject to similar withholding tax requirement and the applicable tax rate is 15.825% unless a certificate of exemption is obtained.

During the Track Record Period, the Group had not been subjected to any corporate income tax in the Cayman Islands, the BVI and Luxembourg.

REVIEW OF HISTORICAL OPERATING RESULTS

The eight months ended 31 August 2010 compared to the eight months ended 31 August 2009

Revenue

The Group's revenue increased by approximately 38.8%, or approximately HK$192.7 million, from approximately HK$496.8 million for the eight months ended 31 August 2009 to approximately HK$689.5 million for the eight months ended 31 August 2010, primarily as a result of the full operation of its branded businesses which commenced operations in 2009, from which the Group generated revenue amounted to approximately HK$220.9 million for the eight months ended 31 August 2010, as compared to approximately HK$66.5 million for the eight months ended 31 August 2009.

- *Telecommunications products*

Revenue from the sale of telecommunications products increased by approximately 21.2%, from approximately HK$168.4 million for the eight months ended 31 August 2009 to approximately HK$204.2 million for the eight months ended 31 August 2010, primarily due to the inclusion of the full-period results of the Group's licensed brand business in North America, which did not commence the distribution of SMB phone systems under the "RCA" brand until March 2009, details of which are set out in the section headed "History, Reorganisation and Group Structure" in this prospectus. The Group's licensed brand business in North America contributed to an increase in revenue of approximately HK$38.0 million, the effect of which was partially offset by a decrease in the EMS revenue from the sale of corded and cordless residential telephones by approximately HK$2.3 million, from approximately HK$101.9 million for the eight months ended 31 August 2009 to approximately HK$99.6 million for the eight months ended 31 August 2010, mainly due to a decrease in orders for the products.

- *Non-telecommunications products*

Revenue from the sale of non-telecommunications products increased by approximately 47.8% from approximately HK$328.4 million for the eight months ended 31 August 2009 to approximately HK$485.3 million for the eight months ended 31 August 2010. The increase was mainly attributable to the inclusion of the results of the Group's own brand business in Europe, generating revenue from the assembly and/or distribution of portable storage devices and/or multimedia products under the "TrekStor" brand since November 2009, details of which are set out in the section headed "History, Reorganisation and Group Structure" in this prospectus.

Cost of goods sold

The Group's cost of goods sold increased by approximately 41.1%, from approximately HK$380.7 million for the eight months ended 31 August 2009 to approximately HK$537.1 million for the eight months ended 31 August 2010. The increase was mainly due to an increase in the volume of raw materials and components purchased, primarily attributable to an increase in the sale of licensed brand telecommunications products, and EMS non-telecommunications products, the effect of which was partially offset by a decrease in the sale and the corresponding decrease in the costs of goods sold of EMS telecommunications products.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 31.3%, from approximately HK$116.1 million for the eight months ended 31 August 2009 to approximately HK$152.5 million for the eight months ended 31 August 2010, primarily as a result of the gross profit contribution from the sale of the Group's licensed brand telecommunications products and own brand non-telecommunications products. Whilst the former commenced in March 2009, the latter did not until November 2009. Gross profit margin decreased from approximately 23.4% for the eight months ended 31 August 2009 to approximately 22.1% for the eight months ended 31 August 2010, mainly due to the inclusion of the operating results of the Group's own brand non-telecommunications products segment, which commenced in November 2009. Whilst it had embarked on the ongoing process of re-establishing business relationship with its old customers and resumed new product development since its establishment in November 2009, it had been operating at under capacity. As a result, despite a gradual increase in its production level and revenue, its gross margin was lower than the Group's other business segments for the eight months ended 31 August 2010.

Other income

The Group's other income increased by approximately HK$1.2 million, or approximately 26.6%, from approximately HK$4.6 million for the eight months ended 31 August 2009 to approximately HK$5.8 million for the eight months ended 31 August 2010, primarily as a result of the increase in gains on derivative instruments.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 144.8% from approximately HK$19.0 million for the eight months ended 31 August 2009 to approximately HK$46.6 million for the eight months ended 31 August 2010. The increase was primarily attributable to the inclusion of the results of operations of the the Group's licensed brand business in the US and own brand business in Germany in the current period, resulting in additional staff costs, promotion expenses and commission expenses incurred.

Administrative expenses

The Group's administrative expenses increased by approximately HK$21.7 million, or approximately 77.3%, from approximately HK$28.0 million for the eight months ended 31 August 2009 to approximately HK$49.7 million for the eight months ended 31 August 2010. The increase was primarily attributable to increases in staff costs, office rental and expenses and travelling and entertainment expenses incurred by the newly established subsidiaries in the US and Germany.

Other operating expenses

The Group's other operating expenses increased by approximately 55.4% from approximately HK$9.4 million for the eight months ended 31 August 2009 to approximately HK$14.6 million for the eight months ended 31 August 2010. The increase was mainly attributable to an increase in research and development expenses incurred for the enhancement of the Group's competitive strengths in production efficiency and product innovation.

Finance costs

The Group's finance costs increased by approximately HK$1.7 million, or approximately 283.5%, from approximately HK$0.6 million for the eight months ended 31 August 2009 to approximately HK$2.3 million for the eight months ended 31 August 2010. The increase was primarily attributable to the Group obtaining additional lines of credit to finance the extended own brand business operations in Europe.

Income tax expense

The Group's income tax expense decreased by approximately HK$1.7 million, or approximately 16.1%, from approximately HK$10.9 million for the eight months ended 31 August 2009 to approximately HK$9.2 million for the eight months ended 31 August 2010. The decrease was primarily the result of the decrease in profit before tax by approximately 30.0% for the eight months ended 31 August 2010.

Profit for the period attributable to owners of the Company

The profit attributable to owners of the Company decreased by approximately 11.9% from approximately HK$53.6 million for the eight months ended 31 August 2009 to approximately HK$47.2 million for the eight months ended 31 August 2010. The Group's net profit margin attributable to owners of the Company decreased from approximately 10.8% for the eight months ended 31 August 2009 to approximately 6.8% for the eight months ended 31 August 2010. The decrease was mainly attributable to (i) the significant increases in selling and distribution expenses and administrative expenses, mainly attributable to the recently established branded businesses; and (ii) whilst TrekStor (Germany) had embarked on the ongoing process of re-establishing business relationship with its old customers and resumed new product development since its establishment in November 2009, it had continued to incur overhead costs such as staff costs and rent. Despite the gradual growth in revenue, its income fell short of its operating expenditure as it took time to resume new product development to introduce new products to the market. As a result, during the eight months ended 31 August 2010, the segment recorded a net loss of approximately HK$22.3 million.

Loss for the period attributable to non-controlling interests

Loss for the period attributable to non-controlling interests, increased from nil for the eight months ended 31 August 2009 to approximately HK$11.2 million for the eight months ended 31 August 2010. The increase was primarily attributable to TrekStor (Germany), an indirectly owned subsidiary of the Company in Germany established in November 2009, details of which are set out in the paragraph headed "TrekStor (Germany)" under the section headed "History, Reorganisation and Group Structure – Major operating subsidiaries" in this prospectus.

The year ended 31 December 2009 compared to the year ended 31 December 2008

Revenue

The Group's revenue decreased by approximately 3.1%, from approximately HK$848.5 million for the year ended 31 December 2008 to approximately HK$821.9 million for the year ended 31 December 2009, primarily as a result of the global economic downturn which began in late 2008. Despite the overall adverse impact of the financial turmoil on the EMS industry, the Group managed to maintain a similar revenue level in 2009 as that of 2008 mainly due to the additional revenue contribution from its branded businesses, which commenced operations during the year ended 31 December 2009.

- *Telecommunications products*

  Revenue from the sale of telecommunications products decreased by approximately 19.1%, from approximately HK$356.5 million for the year ended 31 December 2008 to approximately HK$288.5 million for the year ended 31 December 2009, primarily due to exit of the Group's largest EMS customer from the North American market in late 2008, to which the Group sold residential telephones and SMB phone systems amounted to approximately HK$216.8 million for the year ended 31 December 2008. The decrease was partially offset by the Group's expansion into the licensed brand business segment, which generated revenue amounted to approximately HK$117.4 million; and an increase in the sale of corded and cordless residential telephones by approximately HK$19.3 million.

- *Non-telecommunications products*

  Revenue from the sale of non-telecommunications products increased by approximately 8.4% from approximately HK$492.0 million for the year ended 31 December 2008 to approximately HK$533.4 million for the year ended 31 December 2009. The increase was mainly attributable to the increase in the sale of EMS appliances and appliances control products by approximately HK$52.5 million and the commencement of the Group's own brand business operations in Europe in November 2009, which generated revenue amounted to approximately HK$22.7 million. The increase was partially offset by a decrease in the sale of the Group's EMS multimedia products amounted to approximately HK$54.8 million.

Cost of goods sold

The Group's cost of goods sold decreased by approximately 11.0%, from approximately HK$712.2 million for the year ended 31 December 2008 to approximately HK$634.2 million for the year ended 31 December 2009. The decrease reflected the benefits of economies of scale, in terms of production efficiency through the continuation of automation process; and the cost savings achieved by procuring raw materials and components in bulk, which enhanced the Group's bargaining power over its suppliers.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 37.7%, from approximately HK$136.3 million for the year ended 31 December 2008 to approximately HK$187.7 million for the year ended 31 December 2009. Gross profit margins increased from approximately 16.1% for the year ended 31 December 2008 to approximately 22.8% for the year ended 31 December 2009, primarily due to the changes in product mix, which increased the gross margin contribution from the Group's branded businesses; and the improvements of the Group's production efficiency and bargaining power over its suppliers.

Other income

The Group's other income increased by approximately HK$8.6 million, or approximately 223.9%, from approximately HK$3.8 million for the year ended 31 December 2008 to approximately HK$12.4 million for the year ended 31 December 2009, primarily as a result of the discount on acquisitions arising on business combinations during the year ended 31 December 2009 in the US and Germany of approximately HK$9.0 million.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK$22.5 million, or approximately 128.9%, from approximately HK$17.4 million for the year ended 31 December 2008 to approximately HK$39.9 million for the year ended 31 December 2009, which was primarily attributable to its strategy to diversify into the branded businesses during the year. Pursuant to this strategic downstream expansion, the Group incurred additional staff costs and expenses in promoting its new branded businesses and providing after-sales services. The Group also incurred additional amortisation expenses on its licence rights and customer relationship, which was recognised in business combinations upon the set up of its branded products distribution networks in the US and Germany.

Administrative expenses

The Group's administrative expenses increased by approximately HK$12.7 million, or approximately 31.5%, from approximately HK$40.3 million for the year ended 31 December 2008 to approximately HK$53.0 million for the year ended 31 December 2009. The increase was primarily attributable to the additional operating cost incurred by the newly established subsidiaries in the US and Germany, expenditure in upgrading computer operating system, improving management information system and professional fees incurred in investment evaluation.

Other operating expenses

The Group's other operating expenses increased by approximately 9.6% from approximately HK$20.5 million for the year ended 31 December 2008 to approximately HK$22.5 million for the year ended 31 December 2009. The increase was mainly caused by an increase in research and development expenses incurred in product development for the Group's branded products operations as well as maintaining the Group's competitive strengths in the EMS market.

Finance costs

The Group's finance costs decreased by approximately HK$0.9 million, or approximately 48.6%, from approximately HK$1.8 million for the year ended 31 December 2008 to approximately HK$0.9 million for the year ended 31 December 2009 as a result of the reduced level of interest-bearing bank borrowings, and a decrease in bank borrowing rate.

Income tax expense

The Group's income tax expense increased by approximately HK$3.9 million, or approximately 44.8% from approximately HK$8.8 million for the year ended 31 December 2008 to approximately HK$12.7 million for the year ended 31 December 2009, primarily as a result of the higher profit before tax and higher tax rate applicable to overseas subsidiaries for the year ended 31 December 2009.

Profit for the year attributable to owners of the Company

Profit attributable to owners of the Company increased by approximately 48.7% from approximately HK$51.3 million in 2008 to approximately HK$76.2 million in 2009. The Group's net profit margin attributable to owners of the Company increased from approximately 6.0% in 2008 to approximately 9.3% in 2009, which was mainly caused by the increase in profit margin.

Loss for the year attributable to non-controlling interests

Loss attributable to non-controlling interests increased from approximately HK$4,000 in 2008 to approximately HK$3.5 million in 2009. The increase was mainly attributable to the loss incurred by TrekStor (Germany), which was established in November 2009, details of which are set out in the paragraph headed "TrekStor (Germany)" under the section headed "History, Reorganisation and Group Structure – Major operating subsidiaries" in this prospectus.

The year ended 31 December 2008 compared to the year ended 31 December 2007

Revenue

The Group's revenue increased by approximately 50.4%, from approximately HK$564.1 million for the year ended 31 December 2007 to approximately HK$848.5 million for the year ended 31 December 2008 despite the global economic downturn, primarily due to the change in the Group's product mix.

- *Telecommunications products*

  Revenue from the sale of telecommunications products increased modestly by approximately 8.6%, from approximately HK$328.3 million for the year ended 31 December 2007 to approximately HK$356.5 million for the year ended 31 December 2008.

- *Non-telecommunications products*

  Revenue from the sale of non-telecommunications products increased by approximately 108.7%, from approximately HK$235.7 million for the year ended 31 December 2007 to approximately HK$492.0 million for the year ended 31 December 2008. The increase was mainly attributable to the increase in the sale of EMS appliances and appliances control products by approximately HK$219.9 million.

Cost of goods sold

The Group's cost of goods sold increased by approximately 43.1%, from approximately HK$497.8 million for the year ended 31 December 2007 to approximately HK$712.2 million for the year ended 31 December 2008, primarily as a result of increased quantities produced to meet increased sales demand.

Gross profit and gross profit margin

The Group's gross profit increased by approximately 105.8%, from approximately HK$66.3 million for the year ended 31 December 2007 to approximately HK$136.3 million for the year ended 31 December 2008, due to an increase in the sales volume and the improvement in its gross profit margin. Gross profit margin increased from approximately 11.7% for the year ended 31 December 2007 to approximately 16.1% for the year ended 31 December 2008, primarily due to a change in the Group's product mix, with a substantial increase in the gross profit contribution from appliances and appliances control products, cost reduction from economies of scale, the implementation of the automation process and the downturn of raw materials markets due to the financial turmoil in late 2008.

Other income

The Group's other income decreased by approximately HK$1.8 million, or approximately 32.2%, from approximately HK$5.6 million for the year ended 31 December 2007 to approximately HK$3.8 million for the year ended 31 December 2008, primarily as a result of the inclusion of a non-recurring gain from the reversal of temporary receipts for the year ended 31 December 2007.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately 36.4% from approximately HK$12.8 million for the year ended 31 December 2007 to approximately HK$17.4 million for the year ended 31 December 2008, which was primarily attributable to the increase in staff costs due to an increase in the number of staff.

Administrative expenses

The Group's administrative expenses increased by approximately HK$12.7 million, or approximately 46.2%, from approximately HK$27.6 million for the year ended 31 December 2007 to approximately HK$40.3 million for the year ended 31 December 2008. The increase was primarily attributable to an increase in staff costs as the number of staff increased as a result of the business expansion during the year ended 31 December 2008, whilst the Group also distributed additional bonus payments to its staff in recognition of their contribution to the substantial improvement in the Group's results of operations.

Other operating expenses

The Group's other operating expenses increased by approximately 61.0% from approximately HK$12.8 million for the year ended 31 December 2007 to approximately HK$20.5 million for the year ended 31 December 2008. The increase was primarily attributable to an increase in research and development expenses, as a result of an increase in the number of research engineers and an increase in expenditure incurred in the development of non-telecommunications products.

Finance costs

The Group's finance costs decreased by approximately HK$0.2 million, or approximately 6.3%, from approximately HK$2.0 million for the year ended 31 December 2007 to approximately HK$1.8 million for the year ended 31 December 2008 primarily due to the decrease in interest-bearing borrowings.

Income tax expense

The Group's income tax expense increased by approximately HK$6.6 million, or approximately 301.8%, from approximately HK$2.2 million for the year ended 31 December 2007 to approximately HK$8.8 million for the year ended 31 December 2008, primarily as a result of the significant increase in profit before tax for the year ended 31 December 2008.

Profit for the year attributable to owners of the Company

Profit attributable to owners of the Company increased by approximately 257.1% from approximately HK$14.4 million in 2007 to approximately HK$51.3 million in 2008. The Group's net profit margin attributable to owners of the Company increased from approximately 2.5% in 2007 to approximately 6.0% in 2008, which was mainly caused by the increase in profit margin and the increase in business volume.

Loss attributable to non-controlling interests

Loss attributable to non-controlling interests increased from nil in 2007 to approximately HK$4,000 in 2008, primarily represented the loss attributable to non-controlling interests of Telefield Technologies Limited, an indirectly owned subsidiary subsequently disposed by the Group on 31 December 2009.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, the Group had financed its working capital, capital expenditure and other capital requirements primarily through cash generated from its operations, and cash at hand, while raising the remainder of its requirements primarily through short-term and long-term bank borrowings. The Group's principal uses of cash have been, and are expected to continue to be, operating costs and capital expenditures.

Liquidity

The following table sets forth selected cash flow data from the Group's consolidated cash flow statements for the periods indicated.

	Year ended 31 December			Eight months ended 31 August	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Net cash generated from operating activities	22,313	100,305	99,300	98,727	31,504
Net cash used in investing activities	(14,363)	(25,081)	(52,129)	(32,825)	(17,196)
Net cash generated from/(used in) financing activities	(18,606)	(14,612)	(55,113)	(37,775)	23,471
Net (decrease)/increase in cash and cash equivalents	(10,656)	60,612	(7,942)	28,127	37,779

Net Cash Generated From Operating Activities

The Group derives its cash inflow from operating activities principally from the receipts from the sale of its products. The Group's cash outflow from operations primarily reflects payments for the purchase of raw materials and components and staff costs.

Net cash generated from operating activities of approximately HK$31.5 million for the eight months ended 31 August 2010 comprised operating profit before changes in working capital of approximately HK$71.0 million, adjusted for net working capital outflow, taxation and finance cost of approximately HK$33.7 million, HK$3.5 million and HK$2.3 million, respectively. The net working capital outflow was primarily attributable to the increase in inventories of approximately HK$42.3 million, which was mainly due to a gross increase before provision in the level of raw materials, work-in-progress and finished goods (including goods in transit) by approximately HK$19.1 million, HK$18.6 million and HK$4.6 million, respectively, as a result of the seasonality in the Group's operations, which gave rise to a relatively low level of sales during the period and an increase in orders for the Group's products that were due to be produced and delivered mainly in the two months subsequent to August 2010. Please refer to the paragraph headed "The Group's revenue is subject to seasonal fluctuations" under the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus for further details of the relevant risks.

Net cash generated from operating activities of approximately HK$99.3 million for the year ended 31 December 2009 comprised operating profit before changes in working capital of approximately HK$106.3 million, adjusted for net working capital inflow, income tax paid and finance costs paid of approximately HK$6.3 million, HK$12.4 million and HK$0.9 million, respectively. The net working capital inflow was primarily attributable to the increase in trade payables and accruals and other payables amounted to approximately HK$4.2 million and HK$22.3 million, respectively, which was partially offset by the decrease in product warranty provision and payment of royalty amounted to approximately HK$16.7 million and HK$4.8 million, respectively.

Net cash generated from operating activities of approximately HK$100.3 million for the year ended 31 December 2008 comprised operating profit before changes in working capital of approximately HK$90.7 million, adjusted for net working capital inflow, income tax paid and finance costs paid of approximately HK$13.5 million, HK$2.1 million and HK$1.8 million, respectively. The net working capital inflow was primarily attributable to the increase in accruals and other payables of approximately HK$25.2 million and the increase in trade payables of approximately HK$9.4 million.

Net cash generated from operating activities of approximately HK$22.3 million for the year ended 31 December 2007 comprised operating profit before changes in working capital of approximately HK$34.6 million, adjusted for net working capital outflow, income tax paid and finance costs paid of approximately HK$8.0 million, HK$2.3 million and HK$2.0 million, respectively. The net working capital outflow was primarily attributable to the increase in trade receivables of approximately HK$33.1 million, which was partially offset by the increase in trade payables of approximately HK$19.8 million.

Cash Flows From Investing Activities

The Group derives its cash from investing activities primarily from proceeds from disposals of fixed assets and receipt of interest income. The Group's cash outflow from investing activities primarily reflects considerations paid for business combinations and the acquisition of manufacturing and general office equipment in connection with production equipment such as SMT production lines and bonding machines, and office equipment such as computers.

Net cash used in investing activities was approximately HK$17.2 million for the eight months ended 31 August 2010. This was mainly attributable to the purchases of fixed assets to increase production capacity and repayment of business acquisition consideration.

Net cash used in investing activities was approximately HK$52.1 million for the year ended 31 December 2009. This was primarily attributable to the net cash outflow in relation to business combinations of approximately HK$35.2 million and the purchases of manufacturing and general office equipment of approximately HK$16.8 million during such period.

Net cash used in investing activities was approximately HK$25.1 million for the year ended 31 December 2008. This was primarily attributable to the purchases of manufacturing and general office equipment of approximately HK$24.3 million during such period.

Net cash used in investing activities was approximately HK$14.4 million for the year ended 31 December 2007. This was primarily attributable to the purchases of manufacturing and general office equipment of approximately HK$13.5 million during such period.

Cash Flows From Financing Activities

The Group derives its cash inflow from financing activities principally from new bank loans. The Group's cash outflow from financing activities primarily reflects the payment of dividends, repayment of import/export loans and repayment of bank loans and interest.

Net cash generated from financing activities of approximately HK$23.5 million for the eight months ended 31 August 2010 was primarily attributable to net bank loans raised of approximately HK$44.8 million, which was partially offset by dividend payment of approximately HK$18.5 million.

Net cash used in financing activities of approximately HK$55.1 million for the year ended 31 December 2009 was primarily attributable to dividend payment of HK$34.0 million and net repayment of factoring loans of approximately HK$22.4 million.

Net cash used in financing activities of approximately HK$14.6 million for the year ended 31 December 2008 was primarily attributable to the net repayment of import/export loans, dividends paid and repayment of bank loans amounted to approximately HK$10.9 million, HK$10.0 million and HK$4.7 million, respectively, which was partially offset by the receipt of new bank loans of approximately HK$10.0 million.

Net cash used in financing activities of approximately HK$18.6 million for the year ended 31 December 2007 was primarily attributable to the net repayment of factoring loans of approximately HK$12.1 million and dividend payment of approximately HK$6.5 million.

Working Capital Positions

The Group had net current assets of approximately HK$36.4 million, HK$70.6 million, HK$67.6 and HK$108.1 million as at 31 December 2007, 2008 and 2009 and 31 August 2010, respectively.

The current assets of the Group as at 31 December 2007, 2008, 2009 and 31 August 2010 mainly comprised inventories, trade and other receivables and cash and cash equivalents. The current liabilities of the Group as at 31 December 2007, 2008, 2009 and 31 August 2010 mainly comprised trade and other payables and interest-bearing bank borrowings.

The increase in the net current assets of approximately HK$40.5 million from approximately HK$67.6 million as at 31 December 2009 to approximately HK$108.1 million as at 31 August 2010 was mainly due to an improvement in the cash position by approximately HK$40.4 million, as a result of the improved operating results and net bank loans raised in the eight months ended 31 August 2010. Net current assets as at 31 December 2008 and 2009 remained fairly stable at approximately HK$70.6 million and HK$67.6 million, respectively. Net current assets increased by approximately HK$34.2 million from approximately HK$36.4 million as at 31 December 2007 to approximately HK$70.6 million as at 31 December 2008. The increase was primarily attributable to an improvement in the cash position by approximately HK$63.6 million, as a result of the improved results of operations in 2008.

Net current assets/(liabilities) as at 30 November 2010

The table below sets forth the breakdown of the Group's current assets and liabilities for the Group's operations as at 31 December 2009, 31 August 2010 and 30 November 2010:

	As at 31 December 2009 HK$'000	As at 31 August 2010 HK$'000	As at 30 November 2010 HK$'000 (unaudited)
Current assets			
Inventories	112,806	155,948	136,943
Trade receivables	158,640	156,814	166,702
Prepayments, deposits and other receivables	12,274	32,095	54,656
Derivatives instruments	–	4,022	2,222
Amounts due from related parties	15	15	15
Current tax assets	2,431	1,043	306
Bank and cash balances	68,622	109,020	81,253
	354,788	458,957	442,097
Current liabilities			
Trade payables	107,116	134,603	116,631
Accruals and other payables	103,352	111,288	112,139
Financial liabilities at fair value through profit or loss	5,692	7,221	8,065
Amounts due to related parties	18,255	71	54
Bank borrowings	28,591	70,562	62,666
Finance lease payables	–	–	–
Product warranty provision	12,968	11,904	12,973
Current tax liabilities	11,205	15,226	8,983
	287,179	350,875	321,511
Net current assets/(liabilities)	67,609	108,082	120,586

Based on the unaudited combined management accounts of the Group as at 30 November 2010, the Group had net current assets of approximately HK$120.6 million (31 August 2010: net current assets of approximately HK$108.1 million) comprising current assets of approximately HK$442.1 million (31 August 2010: approximately HK$459.0 million) and current liabilities of approximately HK$321.5 million (31 August 2010: approximately HK$350.9 million).

CAPITAL EXPENDITURE

Capital expenditure principally comprises considerations paid for the acquisition of plant, machinery, moulds and tools, leasehold improvements, furniture and equipment and motor vehicles.

The following table sets forth the Group's capital expenditure for the periods indicated:

	Year ended 31 December			Eight months ended 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Capital expenditure				
Leasehold improvements	998	3,443	1,303	2,626
Plant, machinery, moulds and tools	11,013	18,963	14,231	5,447
Furniture and equipment	1,064	1,154	1,627	1,083
Motor vehicles	433	752	212	–
	13,508	24,312	17,373	9,156

For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the Group incurred capital expenditure of approximately HK$13.5 million, HK$24.3 million, HK$17.4 million, and HK$9.2 million, respectively. The Group's capital expenditure mainly represented the purchases of plant, machinery, moulds and tools and the improvements made to factory structure. The increase of capital expenditure in 2008 was directly attributable to the establishment of a new factory plant in Huizhou.

To further enhance the Group's technological capabilities and ensure that it is equipped to deliver effective, leading-edge solutions, the Directors intend to invest not less than approximately HK$30.0 million and HK$25.0 million in the expansion of production capability and acquisition of land and buildings, respectively. The Directors intend to finance the investments by the net proceeds of the Share Offer and internal financial resources.

INTANGIBLE ASSETS

The Group's intangible assets represented the carrying values of trademarks, licence rights and customer relationship recognised in business combinations upon the acquisition of the Group's licensed brand business in North America and own brand business in Europe during the year ended 31 December 2009.

The Group's trademarks were assessed to have indefinite useful lives.

Licence rights represent the right to use the "RCA" trademark in distribution of SMB phone systems in North America. The licensing agreement will expire on 31 December 2013.

Customer relationship represents the estimated future economic benefits to the Group arising from regular contact between individual customer and the business entity before business combination. Customer relationship is amortised over six years from 2009 to 2015.

Upon acquisition of the designated assets and liabilities of those businesses in 2009, the Group recognised a gross value of intangible assets in respect of trademark, licence rights and customer relationship amounted to approximately HK$54.7 million in aggregate. The intangible assets are subject to amortisation in the amount of approximately HK$5.6 million for the year ended 31 December 2009, giving the net carrying amount of approximately HK$48.6 million as at 31 December 2009. Amortisation of approximately HK$4.7 million was charged during the eight months ended 31 August 2010, resulting in a net carrying amount of intangible assets of approximately HK$41.8 million as at 31 August 2010.

INVENTORY ANALYSIS

The Group's inventories comprise raw materials, work-in-progress, finished goods and goods in transit. Owing to the Group's multi-locational operations, the Group stored its inventories in warehouses located in Hong Kong, Germany and the PRC. The Group typically manages its inventories on a "first-in, first-out" basis so that inventories first received are used first for production and distribution. As at 31 December 2007, 2008 and 2009 and 31 August 2010, the Group's inventory levels, were approximately HK$65.3 million, HK$66.2 million, HK$112.8 million, and HK$155.9 million, respectively, representing approximately 27.3%, 20.6%, 31.8% and 34.0% of the Group's total current assets as at the respective dates.

The following table sets forth a breakdown of the Group's inventories for the periods indicated:

	As at 31 December			As at 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Inventory				
Raw materials	32,755	37,185	51,535	68,006
Work-in-progress	21,983	13,848	14,077	32,865
Finished goods	10,611	6,640	39,153	47,512
Goods in transit	–	8,561	8,041	7,565
	65,349	66,234	112,806	155,948

The following table sets forth a summary of the Group's average inventory turnover days for the periods indicated:

	Year ended 31 December			Eight months ended 31 August
	2007	**2008**	**2009**	**2010**
Average inventory turnover (days)	51.9	33.7	51.5	61.3

The calculation of inventory turnover days is based on the average of the opening balance and closing balance of inventories divided by cost of sales and multiplied by 365 or 245, as the case may be.

Inventory turnover days decreased from 51.9 days in 2007 to 33.7 days in 2008. This was mainly due to the Group's efforts to reduce its inventories to endure tough market conditions. Inventory turnover days increased from 33.7 days in 2008 to 51.5 days in 2009 and 61.3 days in the eight-month period ended 31 August 2010. This was mainly attributable to the seasonality in the Group's operations, which gave rise to a relatively low level of sales during the period and an increase in orders for the Group's products that were due to be produced and delivered mainly in the two months subsequent to August 2010, resulting in an increase in all classes of inventories. Please refer to the paragraph headed "The Group's revenue is subject to seasonal fluctuations" under the section headed "Risk Factors – Risks relating to the business of the Group" in this prospectus for further details of the relevant risks.

In determining provision on inventories, the Group's management performs regular review on the carrying amounts of inventories with reference to aged analysis of inventories and projections of expected future saleability of goods, based on management experience and judgement. For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, net write-down on inventories with net amounts of approximately HK$0.3 million, HK$0.9 million, nil and nil, respectively, which mainly represented provision for obsolete raw materials aged over nine months.

INDEBTEDNESS AND OBLIGATIONS

Interest-Bearing Bank Borrowings

As at 30 November 2010, the Group has bank borrowings and finance lease payables as follows:

	HK$'000
Non-current liabilities	
Bank borrowings	–
Finance lease payables	–
	–
Current liabilities	
Bank borrowings	62,666
Finance lease payables	–
	62,666

The Group's bank borrowings and finance lease payables as at 31 December 2007, 2008 and 2009, 31 August 2010 and 30 November 2010 were as follows:

	As at 31 December			As at 31 August	As at 30 November
	2007	**2008**	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Long-term loans					
– secured	622	–	–	–	–
– unsecured	–	–	–	–	–
Long-term loans due within one year					
– secured	7,995	11,695	16,146	41,582	21,732
– unsecured	–	–	–	–	–
Short-term loans due within one year					
– secured	45,703	38,009	12,445	28,980	40,934
– unsecured	–	–	–	–	–
Total	54,320	49,704	28,591	70,562	62,666

Except for certain bank borrowings amounting to approximately HK$32.2 million, HK$29.2 million, HK$5.5 million, HK$6.7 million and HK$7.3 million as at 31 December 2007, 2008, 2009, 31 August 2010 and 30 November 2010, respectively, which were denominated in U.S. dollars and approximately HK$19.3 million and HK$20.4 million as at 31 August 2010 and 30 November 2010, respectively, which were denominated in Euros, all other bank borrowings and finance lease payables of the Group were denominated in HK dollars.

As at the dates indicated, the Group's bank borrowings, other loans and factoring loans bore interest rates per annum ranging from:

31 December 2007	5.5% to 6.1%
31 December 2008	1.7% to 4.5%
31 December 2009	2.8% to 3.1%
31 August 2010	2.9% to 3.0%

The average effective borrowing rate of the Group's finance lease payables were 6.63% and 4.75% as at 31 December 2007 and 31 December 2008, respectively.

As at 31 December 2007, 2008, 2009 and 31 August 2010, the Group had general banking facilities (including factoring loan facilities) granted by banks to the extent of approximately HK$117.0 million, HK$144.6 million, HK$149.4 million and HK$199.3 million, respectively. The facilities were secured by the following:

(i) corporate guarantee executed by Telefield (BVI);

(ii) corporate guarantee executed by Telefield (HK) and Telefield Medical as at 31 August 2010;

(iii) personal guarantee executed by a Director;

(iv) government guarantee of the Hong Kong Special Administrative Region up to approximately HK$7.2 million as at 31 December 2009 and 31 August 2010; and

(v) certain sets of machinery of a subsidiary amounted to approximately HK$5.5 million and HK$4.8 million for the two years ended 31 December 2007 and 2008, respectively.

As at 31 December 2007, 2008 and 2009 and 31 August 2010, trade receivables of approximately HK$44.9 million, HK$30.0 million, nil and nil, respectively, were pledged to a bank to secure factoring loan facilities.

During the eight months ended 31 August 2010, the Group breached certain covenant clauses of a bank loan agreement in relation to the maintenance of its net leverage ratio and consolidated tangible net worth. As a result, the outstanding balance of a bank loan of approximately HK$16.7 million as at 31 August 2010, was subject to an early repayment option by the bank. The bank had not requested early repayment of the relevant bank loan and subsequently waived the breach of the covenants on 7 July 2010. The outstanding balance of the relevant bank loan was fully settled and the relevant credit facilities was cancelled subsequently on 8 September 2010. Since 30 November 2010, there has not been any material adverse change in the Group's indebtedness.

The maturity of the Group's bank borrowings as at the dates indicated is as follows:

	As at 31 December			As at 31 August	As at 30 November
	2007	**2008**	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Within one year	51,503	49,082	28,591	70,562	62,666
In the second year	–	–	–	–	–
In the third to fifth years inclusive	–	–	–	–	–
Total	51,503	49,082	28,591	70,562	62,666

The maturity of the Group's finance lease payables as at the dates indicated is as follows:

	As at 31 December			As at 31 August	As at 30 November
	2007	**2008**	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Within one year	2,195	622	–	–	–
In the second to fifth years inclusive	622	–	–	–	–
	2,817	622	–	–	–

The Group's debt-to-equity ratio was approximately 72.0%, 41.1%, 19.6%, 38.6% and 31.7% as at 31 December 2007, 2008 and 2009, 31 August 2010 and 30 November 2010, respectively. Debt-to-equity ratio was calculated by dividing total interest-bearing borrowings by total equity.

Debt-to-equity ratio increased from approximately 19.6% as at 31 December 2009 to approximately 38.6% as at 31 August 2010, which was mainly caused by the increase in bank borrowings from approximately HK$28.6 million as at 31 December 2009 to approximately HK$70.6 million as at 31 August 2010, in order to finance the expansion in the Group's German operations. Although the total equity increased from approximately HK$145.9 million as at 31 December 2009 to approximately HK$182.7 million with the profit of approximately HK$36.0 million for the eight months ended 31 August 2010, the increase in debt exceeded the increase in the equity giving rise to the increase in debt-to-equity ratio.

Debt-to-equity ratio decreased from approximately 41.1% in 2008 to approximately 19.6% in 2009, which was primarily attributable to the repayment of bank borrowings and the increase in total equity from approximately HK$120.4 million in 2008 to approximately HK$145.9 million in 2009, mainly funded by net profit for the year amounted to approximately HK$72.7 million.

Debt-to-equity ratio decreased from approximately 72.0% in 2007 to approximately 41.1% in 2008, which was primarily attributable to the significant increase in total equity, mainly funded by net profit for the year amounted to approximately HK$51.3 million.

As at 31 August 2010, total banking facilities available to the Group amounted to approximately HK$199.3 million, approximately HK$79.3 million of which was utilised, with an unutilised balance of approximately HK$120.0 million. In connection with certain banking facilities of the Group during the Track Record Period, Telefield (HK) undertook to maintain its tangible net worth of not less than HK$20 million.

In relation to the banking facilities granted to the Group, the Group has received a letter of confirmation from each of the relevant banks confirming, among other things, that as at the date of the respective letter, provided that the status quo remains unchanged, the letter did not foresee that it would not continue to grant or renew the relevant banking facilities to the Group and that the relevant facilities had not been withdrawn and no notice had been served to withdraw the relevant banking facilities.

In addition, Mr. Cheng, one of the Controlling Shareholders has provided personal guarantees for the Group's banking facilities for an unlimited amount as at 31 December 2007, 31 December 2008, 31 December 2009 and 31 August 2010, respectively. All the relevant banks have released Mr. Cheng's personal guarantees though some of the releases are subject to certain conditions, including the Listing becoming successful and the Group having provided corporate guarantee for the banking facilities for an unlimited amount.

As at 30 November 2010, the Group's total bank borrowings amounted to approximately HK$62.7 million, consisting of short-term secured bank loans of approximately HK$41.0 million and long-term secured bank loans of approximately HK$21.7 million. There has not been any material change in the Group's indebtedness since 30 November 2010.

Commitments

The Group leases its offices, factories and staff quarters under operating leases arrangements. Leases are negotiated for terms ranging from one to 17 years. The following table sets forth its minimum lease payments under operating leases falling due as at the dates indicated:

	As at 31 December			As at 31 August	As at 30 November
	2007	**2008**	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Within one year	5,218	6,469	7,250	8,592	7,933
In the second to fifth years inclusive	11,406	14,131	21,769	22,939	22,366
Over five years	2,847	3,599	17,274	15,019	14,040
Total	19,471	24,199	46,293	46,550	44,339

In addition to the operating lease commitments set out above, the Group had the following capital commitments for plant and machinery as at the dates indicated:

	As at 31 December			As at 31 August	As at 30 November
	2007	**2008**	**2009**	**2010**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*
Contracted, but not provided for	4,771	2,091	82	776	2,972
Approved, but not contracted for	–	–	–	21,640	15,511
	4,771	2,091	82	22,416	18,483

Contingent liabilities

As at 30 November 2010, the Group had no material contingent liabilities. The Group is not currently involved in any material legal proceedings, and is not aware of any pending or potential material legal proceedings involving the Group. If involved in such material legal proceedings, the Group would record any loss contingencies when, based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated.

Off-balance sheet commitment and arrangements

Except for the commitments set forth above, the Group did not have any off-balance sheet commitments or arrangements as at 31 August 2010.

Disclaimers

Save as disclosed in the sub-section headed "Indebtedness and obligations" in this section and apart from intra-group liabilities, the Group did not have outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 30 November 2010.

The Directors confirm that, up to the Latest Practicable Date, there have been no material changes in the Group's indebtedness and contingent liabilities since 30 November 2010, except the declaration of dividend of HK$33.8 million by the Group's subsidiaries in December 2010 to its then shareholders for profit generated during the eight months ended 31 August 2010, which was fully settled as at the Latest Practicable Date.

TRADE AND OTHER RECEIVABLES

Turnover of trade receivables

The Group's trade receivables represent the receivables from its customers. The Group grants credit terms to its customers based on their purchase volumes, stability of purchases, creditworthiness and the Group's trading history with the customer. The terms of credit the Group grants to its customers are usually 30 to 180 days, or the Group's customers are requested to settle their previous accounts before further acceptance of purchase orders by the Group from them. For those customers who only have a small volume of transactions or short trading history with the Group, they are not eligible for a credit period and the Group generally requests prepayments before delivery. Customers are required to settle trade receivables in the form of letters of credit, bank remittance or cheques.

The following table sets forth the details of the Group's trade receivables as at the dates indicated:

	As at 31 December			As at 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	152,465	158,481	161,532	159,502
Less: impairment	(1,740)	(2,653)	(2,892)	(2,688)
Total	150,725	155,828	158,640	156,814

The following table sets forth the turnover of the Group's trade receivables for the periods indicated:

	Year ended 31 December 2007	2008	2009	Eight months ended 31 August 2010
Turnover of trade receivables (days)	87.9	65.9	69.8	56.0

The calculation of trade receivables turnover days is based on the average of the opening balance and the closing balance of trade receivables divided by revenue and multiplied by 365 days or 245 days, as the case may be.

For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, trade receivables turnover days were approximately 87.9 days, 65.9 days, 69.8 days and 56.0 days, respectively. The improvement in turnover days was primarily attributable to the availability of factoring facilities to discount some of the trade receivable balances before they fall due, coupled with the improvements in the Group's ability to tighten the credit terms granted to customers.

Age of trade receivables

The following table sets forth an aged analysis of the Group's trade receivables that are not considered to be impaired, as at the dates indicated:

	As at 31 December 2007	2008	2009	As at 31 August 2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Neither past due nor impaired	120,084	130,475	134,746	116,011
Less than 3 months past due	29,993	24,364	22,750	35,109
Over 3 months past due	648	989	1,144	5,694
Total	150,725	155,828	158,640	156,814

As at 31 December 2007, 2008 and 2009 and 31 August 2010, substantially all of the Group's trade receivables were due and receivable within a period of 12 months, for which the Group expects to fully recover the outstanding balance of trade receivables.

In determining impairment losses, the Group conducts regular reviews of aging analysis and evaluation of collectibility of individual balances. The Group estimates that certain trade receivables unsettled over 180 days are still recoverable based on individual analyses of the relevant customers' credit history and financial position. However, such estimates involve inherent uncertainties and the actual unrecoverable amount may be higher than the amount estimated. The Group made provision for impairment of trade receivables in the net amount of approximately HK$1.7 million, HK$0.9 million, HK$0.2 million and nil for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively.

Up to 30 November 2010, subsequent settlements of the outstanding balance of trade receivables as at 31 August 2010 amounted to approximately HK$149.8 million, representing approximately 95.5% of the outstanding balance.

Prepayments, deposits and other receivables

The following table sets forth a breakdown of the Group's prepayments, deposits and other receivables as at the dates indicated:

	As at 31 December			As at 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Factoring receivables	–	–	–	10,592
Prepaid listing expenses	–	–	1,908	6,711
Rental and sundry deposits	3,500	6,462	5,138	6,130
Purchase deposits	2,324	615	2,304	5,579
Prepaid operating expenses	410	1,453	1,082	1,716
Other receivables	941	1,146	1,842	1,367
Deposit for obtaining the licensed brand	–	4,290	–	–
	7,175	13,966	12,274	32,095

The increase in prepayments, deposits and other receivables during the Track Record Period was primarily attributable to (i) an increase in factoring receivables in relation to the operations of TrekStor (Germany); and (ii) an increase in prepaid listing expenses, which will be recognised as a reduction to equity and as an item of administrative expenses upon Listing.

TRADE AND OTHER PAYABLES

Turnover of trade payables

The Group's trade payables mainly relate to the purchases of raw materials and components from the Group's suppliers with credit terms which generally ranges from 30 to 90 days. The Group settles its trade payables mainly in the form of letters of credit, bank remittance and cheques.

The table below sets forth the turnover of trade payables for the periods indicated:

	Year ended 31 December			Eight months ended 31 August
	2007	**2008**	**2009**	**2010**
Turnover of trade payables (days)	61.6	50.3	60.4	55.1

The calculation of trade payables turnover days is based on the average of the opening balance and the closing balance of trade payables divided by cost of goods sold multiplied by 365 days or 245 days, as the case may be.

Trade payables turnover days were approximately 61.6 days, 50.3 days, 60.4 days and 55.1 days for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The decrease in trade payables turnover days for the year ended 31 December 2008 was primarily attributable to the increased instances of cash settlements made for purchases towards the end of 2008, as a result of the financial crisis. The increase in trade payables turnover days for the year ended 31 December 2009 was primarily attributable to extended credit terms granted by suppliers that was comparable to that in 2007, as a result of economic recovery towards the end of 2009. Trade payables turnover days decreased to approximately 55.1 days for the eight months ended 31 August 2010 mainly as a result of the increased purchases made under tight credit terms from new suppliers for the own brand non-telecommunications business carried out by TrekStor (Germany), which increased costs of goods sold without increasing trade payables balance correspondingly.

Age of trade payables

The following table sets forth a summary of the age of the Group's trade payables, based on invoice date as at the dates indicated:

	As at 31 December			As at 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 to 90 days	92,043	98,827	103,744	125,580
91 to 180 days	1,005	3,017	2,577	7,143
181 to 365 days	215	612	–	729
over 365 days	257	431	795	1,151
Total	93,520	102,887	107,116	134,603

Accruals and other payables

The following table sets forth the breakdown of the Group's accruals and other payables as at the dates indicated:

	As at 31 December			As at 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Accrued staff salaries, wages and benefits	21,031	39,578	58,407	68,794
Customer deposits and other receipts in advance	11,199	10,711	7,620	14,003
Accrued operating expenses	5,927	7,383	13,769	14,340
Other accruals and other payables	3,843	11,001	8,080	8,681
TrekStor acquisition payables	–	–	10,005	4,447
Payable for other consumables	4,019	2,588	5,471	1,023
	46,019	71,261	103,352	111,288

As at 31 December 2007, 2008 and 2009 and 31 August 2010, the Group's accruals and other payables amounted to approximately HK$46.0 million, HK$71.3 million, HK$103.3 million and HK$111.3 million, respectively. The increase in accruals and other payables during the Track Record Period was primarily attributable to an increase in accrued staff salaries, wages and benefits mainly fuelled by an increase in the provision for social security insurance contribution in relation to the Group's PRC employees, due to an increase in the number of staff and reasons outlined in the section headed "Risk Factors" in this prospectus.

RELATED PARTIES BALANCES

The table below sets forth the balances between the Group and the related parties as at the dates indicated:

	As at 31 December			As at 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Amount due from/(to) a shareholder				
– Dragon Fortune	2,944	8,836	(18,255)	–
Amount due from a director				
– Mr. Cheng	–	24	–	–
Amount due (to) a director				
– Mr. Cheng	(15)	(498)	–	(17)
Amount due from/(to) a fellow subsidiary				
– Electronic Wisdom Technology Limited	45	–	–	(54)
Amounts due from related companies				
– Cyber Team Limited	331	–	–	–
– Vita Health Enterprises Limited	17	25	15	15
– Asia Pacific Information Network Limited	75	–	–	–
	423	25	15	15
Amount due from an associate				
– Colisa Limited	–	38	–	–
Amounts due (to) related companies				
– Cyber Team Limited	(1,349)	(1,638)	–	–
– Vita Health Enterprises Limited	(10)	(10)	–	–
– Asia Pacific Information Network Limited	–	(435)	–	–
– Woori Telefield Limited	(2,794)	(2,773)	–	–
	(4,153)	(4,856)	–	–
Amount due (to) non-controlling interest shareholder	–	(498)	–	–

The related companies are companies beneficially owned by the Controlling Shareholders or the Directors. The balances with related companies and directors are unsecured, non-interest bearing and are repayable on demand. The carrying amounts of these balances approximate their fair values, which represent the Group's maximum exposure to credit risk at the respective balance sheet dates. The Directors expect that all outstanding balances with related parties will be settled before the Listing.

OTHER KEY FINANCIAL RATIOS

	As at/for the year ended 31 December			As at/for the eight months ended 31 August
	2007	2008	2009	2010
Current ratio *(Note 1)*	1.18	1.28	1.24	1.31
Quick ratio *(Note 2)*	0.86	1.02	0.84	0.86
Return on assets *(Note 3)*	5.1%	13.7%	15.4%	9.4%
Return on equity *(Note 4)*	19.0%	42.6%	52.0%	36.1%

Notes:

(1) Current ratio equals to total current assets divided by total current liabilities.

(2) Quick ratio equals to total current assets less inventories, divided by total current liabilities.

(3) Return on assets equals to net profit for the period multiplied by 365 and divided by 245, or net profit for the year, divided by total assets and multiplied by 100%, as the case may be.

(4) Return on equity equals to net profit for the period attributable to owners of the Company multiplied by 365 and divided by 245, or net profit for the year attributable to owners of the Company, divided by shareholders' equity and multiplied by 100%, as the case may be.

Current ratio

The Group's current ratio as at 31 December 2008 was approximately 1.28, which increased as compared to approximately 1.18 as at 31 December 2007. The Group's current ratio as at 31 December 2009 was approximately 1.24, which remained fairly stable as compared to approximately 1.28 as at 31 December 2008. The Group's current ratio was approximately 1.24 as at 31 December 2009, which remained fairly stable as compared to approximately 1.31 as at 31 August 2010.

Quick ratio

The Group's quick ratio as at 31 December 2008 was approximately 1.02, which increased as compared to approximately 0.86 as at 31 December 2007. The Group's quick ratio as at 31 December 2009 decreased to approximately 0.84 as compared to approximately 1.02 as at 31 December 2008. The decline was primarily attributable to an increase in short-term bank borrowings, part of which was used to finance the increase in the level of inventory, reasons for which are outlined in the sub-section headed "Inventory analysis" in this section. The Group's quick ratio as at 31 August 2010 was approximately 0.86, which remained fairly stable as compared to 0.84 as at 31 December 2009.

Return on assets

Return on assets increased from approximately 5.1% for the year ended 31 December 2007 to approximately 13.7% for the year ended 31 December 2008. This was mainly attributable to the increase in net profit from approximately HK$14.4 million for the year ended 31 December 2007 to approximately HK$51.3 million for the year ended 31 December 2008, the effect of which was partially offset by the increase in total assets from approximately HK$280.9 million for the year ended 31 December 2007 to approximately HK$372.9 million for the year ended 31 December 2008. Return on assets increased moderately from approximately 13.7% for the year ended 31 December 2008 to approximately 15.4% for the year ended 31 December 2009. Return on assets decreased from approximately 15.4% for the year ended 31 December 2009 to approximately 9.4% for the eight months ended 31 August 2010, which was primarily attributable to (i) the net loss sustained by TrekStor (Germany), the details of which are set out in the paragraph headed "The eight months ended 31 August 2010 compared to the eight months ended 31 August 2009 – Profit for the period attributable to owners of the Company" under the sub-section headed "Review of historical operating results" in this section; and (ii) the effects of seasonal fluctuation in revenue for the eight months ended 31 August 2010, resulting in lower revenue recognised in the first half than the second half of each year, detailed explanation for which is outlined in the sub-section headed "Seasonality factors" in this section.

Return on Equity

Return on equity increased from approximately 19.0% for the year ended 31 December 2007 to approximately 42.6% for the year ended 31 December 2008. This was mainly attributable to an increase in the Group's net profit for the year ended 31 December 2008, the effect of which was partially offset by a corresponding increase in the Group's retained profits. Return on equity remained stable from approximately 42.6% for the year ended 31 December 2008 to approximately 52.0% for the year ended 31 December 2009. Return on equity decreased from approximately 52.0% for the year ended 31 December 2009 to approximately 36.1% for the eight months ended 31 August 2010. The decrease was primarily attributable to (i) the net loss sustained by TrekStor (Germany), the details of which are set out in the paragraph headed "The eight months ended 31 August 2010 compared to the eight months ended 31 August 2009 – Profit for the period attributable to owners of the Company" under the sub-section headed "Review of historical operating results" in this section; and (ii) the effects of seasonal fluctuation in revenue for the eight months ended 31 August 2010, resulting in lower revenue recognised in the first half than the second half of each year, detailed explanation for which is outlined in the sub-section headed "Seasonality factors" in this section.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Group hedges its foreign exchange rate risk through the use of derivative financial instruments. The Group primarily enters into foreign currency forward contracts and put option (the put option enables the Group to sell Euro at a designated strike price) to reduce the effects of fluctuating foreign currency exchange rates, in particular, the exchange rate between Euro and HK dollars. The Group categorises these instruments as being entered into for purposes other than trading.

The financial derivative contracts are traded "over the counter" with major financial institutions and generally mature within not more than 12 months. The accounting treatment of derivatives is described in note 4(t) to the Accountant's Report set forth in Appendix I to this prospectus.

According to the Group's policy, the senior manager of finance and accounting reviews the current and forecasted foreign exchange rate risk exposures on a monthly basis and proposes hedging transactions to the Group's Chief Financial Officer for approval. The senior manager is a qualified member of the Hong Kong Institute of Certified Public Accountants and has worked with the Group since 1993. As a matter of policy, the Group only enters into contracts with counterparties that are major financial institutions. The Group does not have significant exposure to any counterparty. The Directors believe that the risk of default under these hedging contracts is remote and in any event would not be material to the consolidated financial results. The Group does not utilise derivative financial instruments for speculative purposes.

As at 31 August 2010, the Group had foreign exchange derivatives net assets with fair value of approximately HK$4.0 million in the form of foreign currency options. The notional principal amounts of outstanding foreign currency option derivatives as at 31 August 2010 was Euro 3.0 million. The Group exercised the above-mentioned foreign currency option on 4 January 2011. As at the Latest Practicable Date, the Group did not have any foreign currency option.

WORKING CAPITAL

Taking into account the cash flows generated from the Group's operations, banking facilities available and the estimated net proceeds from the Listing, the Directors confirm that the Group has sufficient working capital for the Group's requirements for at least 12 months from the date of this prospectus.

MARKET RISK

Foreign Exchange Rate Risk

The Group has certain exposure to foreign exchange rate risk as part of its business transactions, assets and liabilities are denominated in U.S. dollars, RMB and Euro. The Directors monitor the Group's foreign currency exposure closely and the Group currently hedges its exposure to the Euro, details of which are outlined in the sub-section headed "Derivative financial instruments and hedging activities" in this section.

As at 31 August 2010, if the U.S. dollars had strengthened/weakened one per cent against the HK dollars with all other variables held constant, profit for the year/period and retained profits would have been approximately HK$1,299,000 (31 December 2009: HK$1,099,000; 2008: HK$1,025,000; 2007: HK$667,000) higher/lower, arising mainly as a result of the foreign exchange gains/losses on assets denominatd in U.S. dollars.

As at 31 August 2010, if the Euro had strengthened/weakened ten per cent against the HK dollars with all other variables held constant, profit for the year/period and retained profits would have been approximately HK$2,650,000 higher/lower (31 December 2009: HK$3,005,000 higher/lower; 2008: HK$39,000 lower/higher; 2007: HK$60,000 lower/higher), arising mainly as a result of the foreign exchange losses/gains on assets denominatd in Euro.

As at 31 August 2010, if the RMB had strengthened/weakened five per cent against HK dollars with all other variables held constant, profit for the year/period and retained profits would have been approximately HK$3,702,000 (31 December 2009: HK$3,243,000; 2008: HK$3,273,000; 2007: HK$2,466,000) lower/higher, arising mainly as a result of the foreign exchange gains/losses on liabilities denominated in RMB.

Credit Risk

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The carrying amount of the bank and cash balance, derivative financial instruments, trade receivables and other receivables and due from related companies included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's maximum exposure to credit risk in relation to the Group's financial assets.

In order to minimise credit risk, the management has delegated a management team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the management reviews the recoverable amount of each individual trade debtor regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the management considers that the Group's credit risk is significantly reduced.

The credit risk on bank and cash balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has certain concentration of credit risk, as the Group's largest three debtors accounted for approximately 76%, 59%, 48% and 54% of trade receivables as at 31 December 2007, 2008, 2009 and 31 August 2010, respectively.

Liquidity Risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Interest Rate Risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

As at 31 December 2007, 2008 and 2009 and 31 August 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/(decreased) the Group's profit for the year/period and retained profits for the years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, by approximately HK$(432,000), HK$8,000, HK$139,000 and HK$(19,000), respectively.

The sensitivity analysis indicates the impact on the Group's profit for the year/period and retained profits that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis throughout the Track Record Period.

Inflation

According to the National Bureau of Statistics of China, the PRC's overall national inflation rate, as represented by the general consumer price index, was approximately 4.8%, 5.9%, (0.7%) and 2.8% for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The inflation rate in China has been subject to an upward trend since 2007. As at the Latest Practicable Date, the Group had not been materially affected by any inflation. The Group cannot assure you that the inflation rate in the PRC will decrease or increase in the future. The Group cannot predict the impact a sustained increase in inflation will have on the Group's business, results of operations, financial position or prospects.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2010

Unaudited estimated combined profit attributable to owners of the Company *(Note 1)*	not less than HK$67.6 million
Unaudited pro forma estimated earnings per Share *(Note 2)*	not less than HK$0.17

Notes:

(1) The bases and assumptions on which the above profit estimate for the year ended 31 December 2010 has been prepared are set out in Appendix III to this prospectus.

(2) The calculation of unaudited pro forma estimated earnings per Share for the year ended 31 December 2010 is based on the above unaudited estimated combined profit attributable to owners of the Company for the year ended 31 December 2010 and assumes that a total of 400,000,000 Shares were in issue during the entire year, without taking into account any further Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of options which have been granted or may be granted under the Share Option Scheme.

PROPERTY VALUATION

As at 30 November 2010, the Group's properties held under land and buildings were revalued by DTZ, and the relevant property valuation report is set out in Appendix IV to this prospectus. The net revaluation surplus, representing the excess of market value of the properties over their carrying values, has not been included in the Group's consolidated financial information as at 31 August 2010 as the Group's property interests are stated at fair value less accumulated depreciation and accumulated impairment losses.

The table below sets forth the reconciliation of the aggregate amounts of property interests from the Groups consolidated financial information as at 31 August 2010 to the valuation amount of the Company's property interests as at 30 November 2010:

	HK$'000
Net book value of the Company's property interests as at 31 August 2010	9,636
Movements for the three months ended 30 November 2010	
– Additions	–
– Depreciation	99
Net book value of the Company's property interests as at 30 November 2010	9,537
Valuation surplus as at 30 November 2010	2,463
Valuation as at 30 November 2010 per Appendix IV to this prospectus	12,000

DIVIDENDS

Subject to the Companies Law, the Company may declare dividends at a general meeting of the Shareholders in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provide that dividends may be declared and paid out of the Company's profit, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. The principal source of funding for the Company's dividend payment was the cash inflow generated from the Group's operations. With the sanction of an ordinary resolution, dividends may also be declared and paid out of a share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except insofar as the rights attaching to, or the terms of issue of, any Share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect whereof the dividend is paid but no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the Share; and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any Shares all sums of money (if any) presently payable by him/her to the Company on account of calls or otherwise.

The Board will review the Company's dividend policy from time to time taking into account the following factors in determining whether dividends are to be declared and paid:

- the Group's earnings and profitability;
- interests of the Shareholders;
- the Group's general business conditions and strategies;
- the Group's capital requirements;
- the payment of cash dividends to the Company by its subsidiaries;
- possible effects of dividend distribution on the liquidity and financial position of the Group; and
- any other factors which the Board may deem relevant.

The Company's future dividend payments to the Shareholders will also depend upon the availability of dividends declared and distributed by the Group's subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in many aspects from HKFRS. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute dividends. These statutory reserves are not available for distribution as cash dividends. Distributions from the Group's subsidiaries may also be restricted if they incur losses or by any restrictive covenants in bank credit facilities or other agreements that the Group or its subsidiaries may enter into in the future.

Any dividends on the Shares will be declared and paid in Hong Kong dollars on a per Share basis. Any final dividend for a financial year will be subject to Shareholders' approval.

After completion of the Share Offer, the Shareholders will be entitled to receive dividends declared by the Company. Subject to the considerations and factors described above, the Group's future dividend policy is that approximately 30% to 50% of the Group's profits available for distribution will be recommended for distribution for each financial year. As the Company has not been listed for the whole of the year ending 31 December 2011, the dividend payment for the year ending 31 December 2011 will be determined on a pro-rata basis based on the period from the Listing Date to 31 December 2011.

The Group's subsidiaries declared dividends of approximately HK$10.0 million, HK$19.0 million, HK$33.5 million and HK$33.8 million to their then shareholders for profit generated during the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, respectively. The principal source of funding for such dividend payments was from the cash inflow generated from the Group's operations. As at the Latest Practicable Date, all dividends payable for each year or period during the Track Record Period had been settled.

DISTRIBUTABLE RESERVES

As at 31 August 2010, the Company had no distributable reserves available for distribution to the Shareholders. The Group's retained profits as at 31 August 2010 amounted to approximately HK$158.8 million.

Unaudited Pro Forma Adjusted Combined Net Tangible Assets

The following unaudited pro forma adjusted combined net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustration purposes only, and is set forth herein to illustrate the effect of the Listing on the Group's combined net tangible assets as at 31 August 2010 as if it had taken place on 31 August 2010.

The unaudited pro forma adjusted combined net tangible assets have been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of the Group's combined net tangible assets as at 31 August 2010 or any future date following the Listing. It is prepared based on the Group's combined net assets as at 31 August 2010 as derived from the Group's combined financial information set forth in the Accountants' Report in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma adjusted combined net tangible assets does not form part of the Accountants' Report as set forth in Appendix I to this prospectus.

	Combined net tangible assets attributable to owners of the Company as at 31 August 2010 *HK$'000*(Note 1)	Add: Estimated net proceeds from the Share Offer *HK$'000*(Note 2)	Unaudited pro forma adjusted combined net tangible assets *HK$'000*	Unaudited pro forma adjusted net tangible assets per Share *HK$*(Note 3)
Based on an Offer Price of HK$1.01 per Share	161,068	80,852	241,920	0.60
Based on an Offer Price of HK$1.35 per Share	161,068	113,489	274,557	0.69

Notes:

(1) The combined net tangible assets attributable to owners of the Company as at 31 August 2010 was determined as follows:

	HK$'000
Audited combined net assets as set out in Appendix I to this prospectus	182,713
Add: Non-controlling interests as set out in Appendix I to this prospectus	12,031
Combined net assets attributable to owners of the Company	194,744
Less: Intangible assets attributable to owners of the Company	(33,676)
Combined net tangible assets attributable to owners of the Company	161,068

(2) The estimated net proceeds from the Listing are based on indicative Offer Prices of HK$1.01 and HK$1.35 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted or may be granted under the Share Option Scheme.

(3) The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 400,000,000 Shares are in issue immediately after the completion of the Share Offer but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of any options which have been granted or may be granted under the Share Option Scheme.

(4) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 August 2010. In particular, the unaudited pro forma net tangible assets of the Group attributable to the owners of the Company does not take into account the dividend of HK$33.8 million declared by the Board of Telefield (BVI) on 30 December 2010, which was paid to the shareholders on 30 December 2010. The unaudited pro forma adjusted net tangible assets per share would have been reduced to HK$0.52 and HK$0.60 per share based on the Offer Price of HK$1.01 and HK$1.35 respectively, after taking into account the payment of the special dividend in the sum of HK$33.8 million.

(5) The Group' property interests as at 30 November 2010 have been valued at approximately HK$12 million by DTZ, an independent property valuer, and the relevant property valuation report is set out in Appendix IV to this prospectus. The above unaudited pro forma statement of adjusted consolidated net tangible assets has not taken into account the surplus attributable to the Group arising from the revaluation of the Group's property interests amounting to approximately HK$2.46 million. Had the valuation surplus been recorded in the Company's financial statements, the depreciation expenses for the year ending 31 December 2010 would increase by approximately HK$0.01 million.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

The Directors confirm that as of the Latest Practicable Date there were no circumstances that would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules.

NO SIGNIFICANT INTERRUPTIONS

The Directors confirm that there have been no interruptions in the Group's business that may have a significant effect on the Group's results of operations and financial position in the last 12 months.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the Group's financial or trading position since 31 August 2010.

FUTURE PLANS

The Group intends to implement the business strategies as set out in the section headed "Business – Business strategies" in this prospectus.

USE OF PROCEEDS

Based on an Offer Price of HK$1.18 per Offer Share (being the mid-point of the indicative Offer Price range between HK$1.01 per Offer Share and HK$1.35 per Offer Share), the gross proceeds of the Share Offer, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK$118.0 million. The net proceeds of the Share Offer after deducting the expenses payable by the Company, assuming that the Over-allotment Option is not exercised, are estimated to be approximately HK$97.2 million. At present, the Directors intend to apply the net proceeds of approximately HK$97.2 million in the following manner:

- approximately 30% (equivalent to approximately HK$29.2 million) thereof will be used for acquisitions of new branded businesses. The Group will assess the opportunities to acquire or license additional brands in order to expand the portfolio of its brands and products for its branded businesses. The Group targets to acquire prospective brands which would provide higher profit margins. As at the Latest Practicable Date, the Group has not identified any potential acquisition targets. In the event the Group proceeds with such acquisition(s), the Group may require additional financing and employ part of its working capital, apart from employing part of the proceeds to be raised from the Share Offer;

- approximately 20% (equivalent to approximately HK$19.4 million) thereof will be used for the expansion of current branded businesses in existing markets and to other geographical regions. The Group plans to enter into distributorship arrangements for its SMB phone systems in Central and South America, and set up sales offices or enter into distributorship arrangements for its existing "TrekStor" brand in certain countries in Europe, including France and Poland within two years from the Listing Date. The Group may require additional financing and employ part of its working capital, apart from employing part of the proceeds to be raised from the Share Offer for such expansion;

- approximately 20% (equivalent to approximately HK$19.4 million) thereof will be used for the expansion of production capability, including expansion of automated manufacturing and plastic injection facilities in both Guangzhou and Huizhou production facilities, as well as the expansion of the beauty care and medical electronics production lines. Given that (i) the production capacity of the Group's automated and semi-automated production facilities are, at times, saturated during the peak seasons; (ii) the Group plans to develop and manufacture new products such as beauty care and medical electronic products; and (iii) the Group intends to cater to possible increases in demands in the coming few years, the Group plans to further expand its production capacity by adding new machines and production lines including three sets of SMT machines, 12 sets of plastic injection machines and four assembly lines;

- approximately 10% (equivalent to approximately HK$9.7 million) thereof will be used for the purchase of land and buildings. Currently the Group leases a total gross floor area of approximately 14,667 sq.m. in Huizhou for industrial and staff quarter uses. Such leases will expire on 31 December 2014. In order to avoid future relocation of the Group's production facilities after the expiry of the Huizhou leases, the Group plans to purchase land and buildings of the Huizhou production facilities. As at the Latest Practicable Date, the Group has not entered into any formal sale and purchase agreement in respect of the proposed purchase of the Huizhou production facilities;

- approximately 10% (equivalent to approximately HK$9.7 million) thereof will be used for research and development activities. The Group plans to devote both in-house and external resources to the research and development of medical electronic equipment and products in the ultrasonic imaging and respiratory monitoring areas. As at the Latest Practicable Date, the Group has not developed any products in this area. For details of the research and development activities on medical electronic equipment and products, please refer to the section headed "Business – Research and development" in this prospectus;

- approximately 5% (equivalent to approximately HK$4.9 million) thereof will be used to establish marketing offices overseas and in the PRC. The Group plans to establish marketing offices overseas, for example, in Japan, in order to capture new international brand owners there as its new EMS customers. In addition, the Group plans to establish marketing offices in major cities in the PRC, including Shanghai and Chengdu; and

- the remaining balance thereof will be used as general working capital of the Group.

In the event that the Offer Price is fixed at HK$1.35 per Offer Share, being the highest end of the indicative Offer Price range, the net proceeds from the Share Offer will be increased by approximately HK$16.3 million (assuming the Over-allotment Option is not exercised). The Directors intend to apply such additional net proceeds in the manner and proportions as set out above.

In the event that the Offer Price is fixed at HK$1.01 per Offer Share, being the lowest end of the indicative Offer Price range, the net proceeds from the Share Offer will be decreased by approximately HK$16.3 million (assuming the Over-allotment Option is not exercised). The Directors intend to apply the reduced net proceeds in the manner and proportions as set out above.

Should the Over-allotment Option be exercised in full, based on the Offer Price of HK$1.18 per Offer Share (being the mid-point of the indicative Offer Price range between HK$1.01 per Offer Share and HK$1.35 per Offer Share), the net proceeds will be increased by approximately HK$17.0 million. The Directors intend to apply such additional net proceeds in the manner and proportions as set out above. In the event that the Offer Price is fixed at HK$1.35 per Offer Share or HK$1.01 per Offer Share, being the highest and lowest ends of the indicative Offer Price range, respectively, the net proceeds will be increased by approximately HK$19.4 million or approximately HK$14.5 million, respectively. The Directors intend to apply such additional net proceeds in the same manner and proportions as set out above for both the highest and lowest points of the indicative Offer Price range.

To the extent that any part of the net proceeds from the Share Offer are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed on short-term deposits with licensed banks and/or financial institutions in Hong Kong and/or the PRC.

UNDERWRITERS

Placing Underwriters

Joint Lead Managers

China Merchants Securities (HK) Co., Limited
Kingsway Financial Services Group Limited

Co-Lead Manager

OSK Securities Hong Kong Limited

Co-Manager

VC Brokerage Limited

Public Offer Underwriters

Joint Lead Managers

China Merchants Securities (HK) Co., Limited
Kingsway Financial Services Group Limited

Co-Lead Manager

OSK Securities Hong Kong Limited

Co-Manager

Daewoo Securities (Hong Kong) Limited
VC Brokerage Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Under the Public Offer Underwriting Agreement, the Company has agreed to offer the Public Offer Shares to the public in Hong Kong for subscription on and subject to the terms and conditions of this prospectus and the Application Forms.

Pursuant to the Public Offer Underwriting Agreement, and conditional upon, *inter alia*, the Listing Committee granting the listing of, and permission to deal in, the Shares, in issue and to be issued as mentioned in this prospectus (either unconditionally or subject only to such customary conditions that may be imposed by the Stock Exchange) and certain other conditions including the Offer Price being determined by the Company and China Merchants Securities (for itself and on behalf of the Underwriters), the entering into of the Placing Underwriting Agreement and the Price Determination Agreement on or before the Price Determination Date, the Public

Offer Underwriters have severally agreed to subscribe for, or procure subscribers to subscribe for, the Public Offer Shares which are not taken up under the Public Offer on the terms and conditions of the Public Offer Underwriting Agreement, this prospectus and the Application Forms.

Grounds for termination

China Merchants Securities (for itself and on behalf of the Public Offer Underwriters) is entitled to terminate the Public Offer Underwriting Agreement by giving written notice before 8:00 a.m. (Hong Kong time) on the Listing Date (the "**Termination Time**") to the Company if any of the following events shall occur prior to the Termination Time:

(a) there comes to the notice of China Merchants Securities or any of the Public Offer Underwriters of any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the warranties or any other obligations imposed on any party to the Public Offer Underwriting Agreement (other than those undertaken by the Public Offer Underwriters and China Merchants Securities) which, in any such cases, is considered, in the sole and absolute opinion of China Merchants Securities (for itself and on behalf of the Public Offer Underwriters), to be material in the context of the Share Offer; or

(b) any statement contained in this prospectus or the Application Forms has become or been discovered to be untrue, incorrect or misleading in any material respect; or

(c) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of China Merchants Securities (for itself and on behalf of the other Public Offer Underwriters), an omission in the context of the Share Offer; or

(d) any event, act or omission which gives or is reasonably likely to give rise to any material liability of the Company or any of the Controlling Shareholders (other than Telefield Charitable Fund) and the executive Directors arising out of or in connection with any representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or

(e) there comes to the notice of any of China Merchants Securities or any of the Public Offer Underwriters any breach by any party to the Public Offer Underwriting Agreement (other than China Merchants Securities and/or the Public Offer Underwriters) of any provision thereof which, in the sole and absolute opinion of China Merchants Securities (for itself and on behalf of the other Public Offer Underwriters), is material; or

(f) there shall have developed, occurred, existed or come into effect any event or series of events, matters or circumstances whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, BVI, the PRC, Germany, the United States, Luxembourg and any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the Group; or

(ii) any change in, or any event or series of events or development resulting or likely to result in any change in, Hong Kong, the Cayman Islands, the BVI, the PRC, Germany, the United States, Luxembourg and any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group, the local, national, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or

(iii) any change in the conditions of Hong Kong, the United States, Germany, the PRC or international equity securities or other financial markets; or

(iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or

(v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, BVI, the PRC, Germany, the United States, Luxembourg and any of the jurisdictions in which the Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to the Group; or

(vi) any change or prospective change in the business or in the financial or trading position or prospects of any member of the Group; or

(vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the United States or by the European Union (or any member thereof) on Hong Kong or the PRC; or

(viii) a general moratorium on commercial banking activities in the PRC, Hong Kong, the United States or Germany declared by the relevant authorities; or

(ix) any event of force majeure including, without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, economic sanctions, fire, flood, explosion, epidemic, outbreak of an infectious disease, calamity, crisis, terrorism, strike or lock-out (whether or not covered by insurance); or

(x) any other change whether or not ejusdem generis with any of the foregoing,

which, in the sole and absolute opinion of China Merchants Securities (for itself and on behalf of the other Public Offer Underwriters):

(aa) is or will be or is likely to be adverse, in any material respect, to the business, financial or trading condition or prospects of the Group taken as a whole or, in the case of sub-paragraph (v) above, on any present or prospective Shareholder in his/her/its capacity as such Shareholder; or

(bb) has or will have or is likely to have a material adverse effect on the success of the Share Offer as a whole or the level of the Offer Shares being demanded, applied for or accepted, the distribution of the Offer Shares; or

(cc) for any reason makes it impracticable, inadvisable or inexpedient to proceed with the Share Offer.

For the above purpose, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or any change of Hong Kong currency under such system shall be taken as an event resulting in a change in currency conditions; and any market fluctuations, whether or not within the normal range therefor, may be considered a change of market conditions.

Undertakings

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities (whether or not of a class already listed) may be issued by the Company or form the subject of any agreement to such an issue by the Company within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has jointly and severally undertaken to each of the Sponsor, the Company, the other Public Offer Underwriters and the Stock Exchange that:

(a) in the period commencing on the date by reference to which disclosure of his/her/its interests in the Company is made in this prospectus and ending on the date falling six months from the Listing Date (the "**First Six-month Period**"), he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates and companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, without the prior written consent of China Merchants Securities (for itself and on behalf of the other Public Offer Underwriters) and unless in compliance with the requirements of the Listing Rules, (i) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, any of the Shares or any securities convertible into or exercisable or exchangeable for, or that represent the right to receive any of the Shares or securities of the Company disclosed in this prospectus to be beneficially owned by him/her/it or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/her/it) which is directly or indirectly a beneficial owner of any of the Shares or securities of the Company as disclosed in this prospectus as aforesaid (the "**Relevant Securities**"); (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, any of the economic consequences of ownership of the Relevant Securities, whether any of the foregoing transactions is to be settled by delivery of the Relevant Securities, in cash or otherwise; (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

(b) he/she/it shall not, and shall procure that the relevant registered holder(s) and his/her/its associates or companies controlled by him/her/it and any nominee or trustee holding in trust for him/her/it shall not, directly or indirectly, without the prior written consent of the Sponsor (for itself and on behalf of the other Public Offer Underwriters) and the Stock Exchange in the six-month period commencing on the expiry of the First Six-month Period set out in paragraph (a) above (the "**Second Six-month Period**"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder (as defined in the Listing Rules) of the Company or would together with the other Controlling Shareholders (other than Telefield Charitable Fund) cease to be controlling shareholders (as defined in the Listing Rules) of the Company;

(c) in the event of a disposal of any Shares or securities of the Company or any interest therein within the Second Six-month Period, he/she/it shall take all reasonable steps to ensure that such a disposal shall not create a disorderly or false market for any Shares or other securities of the Company;

(d) he/she/it shall, and shall procure that his/her/its associates and companies controlled by and nominees or trustees holding in trust for him/her/it shall, comply with all the restrictions and requirements under the Listing Rules on the sale, transfer or disposal by him/her/it or by the registered holder controlled by him/her/it of any Shares;

(e) he/she/it shall comply with all applicable restrictions under the Listing Rules on the disposal by him/her/it or by the registered holder(s) of any Shares or other securities of the Company in respect of which it is shown in this prospectus to be interested therein;

(f) neither he/she/it nor any of his/her/its associates nor any companies controlled by him/her/it nor any nominee or trustee holding in trust for him/her/it has any present intention of disposing of any Shares or other securities of the Company in respect of which he/she/it is shown in this prospectus to be interested therein; and

(g) he/she/it shall not, and shall procure that none of his/her/its associates and the companies controlled by him/her/it or any nominee or trustee holding in trust for he/she/it shall/will sell, transfer or otherwise dispose of (including without limitation the creation of any option over) or create any rights in respect of any interest in any Shares or securities of the Company owned or held by him/her/it, his/her/its associates or the relevant company, nominee or trustee (including any interest in any shares in any company controlled by him/her/it which is directly or indirectly the beneficial owner of any of the Shares or securities of the Company) immediately following the completion of the Capitalisation Issue and the Share Offer (i) within the First Six-month Period; and (ii) within the Second Six-month Period.

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune has further undertaken to each of the Company, the Sponsor, the other Public Offer Underwriters and the Stock Exchange that, within the First Six-month Period and the Second Six-month Period, he/she/it shall:

(a) when he/she/it pledges or charges any securities or interests in the Relevant Securities, immediately inform the Company and the Sponsor in writing of such pledges or charges together with the number of securities and nature of interest so pledged or charged; and

(b) when he/she/it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of the Company will be sold, transferred or disposed of, immediately inform the Company and the Sponsor in writing of such indications.

Telefield Charitable Fund has provided similar undertakings as those given by each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune to the Stock Exchange in relation to certain restrictions on disposal of shares during the First Six-month Period and the Second Six-month Period.

The Company will inform China Merchants Securities and the Stock Exchange as soon as it has been informed of the matters above (if any) by Dragon Fortune, Telefield Charitable Fund, Century Win, Mr. Cheng and Mrs. Cheng and disclose such matters by way of an announcement.

Placing Underwriting Agreement

In connection with the Placing, it is expected that, among others, the Company, the executive Directors, Mr. Cheng, Mrs Cheng, Century Win and Dragon Fortune will enter into the Placing Underwriting Agreement with the Placing Underwriters. It is expected that upon the entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally agree to subscribe or procure purchasers for, or failing which, to purchase, the Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. It is expected that pursuant to the Placing Underwriting Agreement, each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed "Undertakings" under the sub-section headed "Underwriting arrangements and expenses" in this section.

Commission and expenses

The Public Offer Underwriters will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Offer Shares, out of which they will (as the case may be) pay any sub-underwriting commissions. In addition, the Sponsor will receive financial advisory and documentation fees for acting as the Sponsor to the Share Offer. Assuming the Over-allotment Option is not exercised, based on an Offer Price of HK$1.18 (being the mid-point of the indicative Offer Price range of HK$1.01 per Offer Share and HK$1.35 per Offer Share), such underwriting commission and fees, together with the Stock Exchange listing fee, legal and other professional fees, applicable printing and other expenses relating to the Share Offer are estimated to be approximately HK$20.8 million in total and are payable by the Company.

Public Offer Underwriters' interests in the Company

Save for their respective obligations and interests under the Public Offer Underwriting Agreement as disclosed above and the proposed appointment of the Sponsor as compliance adviser of the Company, none of the Public Offer Underwriters has any shareholding interest in the Company or any member of the Group or has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

THE SHARE OFFER

This prospectus is published in connection with the Public Offer which forms part of the Share Offer. China Merchants Securities is the Sole Bookrunner of the Share Offer.

The Share Offer initially consists of (subject to the Over-allotment Option):

(i) the Public Offer of 10,000,000 Offer Shares (subject to re-allocation as mentioned below) in Hong Kong as described below in the sub-section headed "Public Offer" in this section; and

(ii) the Placing of 90,000,000 Offer Shares (subject to re-allocation and the Over-allotment Option as mentioned below) in Hong Kong and other jurisdiction outside Hong Kong.

Investors may apply for Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The Placing will involve selective marketing of Offer Shares to professional, institutional, corporate and other investors (excluding retail investors) anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdiction outside Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The Placing Underwriters are soliciting from prospective investors' indications of interest in acquiring the Offer Shares in the Placing. Prospective professional, institutional, corporate and other investors will be required to specify the number of Offer Shares under the Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to the Price Determination Date.

The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to re-allocation and, in the case of the Placing only, the Over-allotment Option as set out in the paragraph headed "Over-allotment Option" under the sub-section headed "Placing" in this section.

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to the Company and China Merchants Securities (for itself and on behalf of the Underwriters), agreeing on the Offer Price. The Company, China Merchants Securities and the Placing Underwriters, among others, expect to enter into the Placing Underwriting Agreement relating to the Placing on or before the Price Determination Date. Details of the underwriting arrangements are summarised in the section headed "Underwriting" in this prospectus.

PUBLIC OFFER

Number of Shares initially offered

The Company is initially offering 10,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Share Offer. Subject to the re-allocation of Shares between (i) the Placing; and (ii) the Public Offer as mentioned below and assuming no exercise of the Over-allotment Option, the number of the Public Offer Shares will represent approximately 2.5% of the Company's enlarged issued share capital immediately after completion of the Capitalisation Issue and the Share Offer.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Public Offer" under the sub-section headed "Public Offer" in this section.

Conditions of the Public Offer

Acceptance of all applications for Offer Shares pursuant to the Public Offer will be conditional on, among others:

(i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue, the Offer Shares to be issued pursuant to the Share Offer and the Capitalisation Issue and any Shares which fall to be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements (unless and to the extent such conditions are validly waived on or before such dates and times by the Sole Bookrunner (for itself and on behalf of the Underwriters)) and in any event not later than 8:00 a.m. on the Listing Date, which is currently expected to be on Thursday, 27 January 2011.

If, for any reason, the Offer Price is not agreed between China Merchants Securities (for itself and on behalf of the Underwriters) and the Company by 9:00 p.m. on Friday, 21 January 2011, the Share Offer will not proceed and will lapse.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. The Company will cause a notice of the lapse of the Public Offer to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese) and on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.telefieldgroup.com.hk** on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Public Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving banker(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 26 January 2011 but will only become valid certificates of title at 8:00 a.m. on Thursday, 27 January 2011 provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination as described in the paragraph headed "Grounds for termination" under the section headed "Underwriting – Underwriting arrangements and expenses" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

Allocation

Allocation of the Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

The total number of Offer Shares available under the Public Offer (after taking into account of any re-allocation referred to below) is to be divided into two pools (subject to adjustment of odd lot size) for allocation purposes: pool A and pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK$5.0 million (excluding the brokerage, Stock Exchange trading fee and SFC transaction levy payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK$5.0 million (excluding the brokerage, Stock Exchange trading fee and SFC transaction levy payable and up to the value of pool B). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and may only apply for Public Offer Shares in either pool A or pool B.

Multiple or suspected multiple applications within either pool or between pools and any application for more than 5,000,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares) are liable to be rejected.

Re-allocation

The allocation of the Offer Shares between the Public Offer and the Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Public Offer represents (i) 15 times or more but less than 50 times; (ii) 50 times or more but less than 100 times; and (iii) 100 times or more, of the number of the Offer Shares initially available under the Public Offer, then the Offer Shares will be re-allocated to the Public Offer from the Placing so that the total number of Offer Shares available under the Public Offer will be increased to 30,000,000 Offer Shares (in the case of (i)), 40,000,000 Offer Shares (in the case of (ii)) and 50,000,000 Offer Shares (in the case of (iii)) representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Share Offer, respectively (before any exercise of the Over-allotment Option), in each case, the additional Offer Shares re-allocated to the Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Sole Bookrunner deems appropriate. In addition, in certain prescribed circumstances, the Sole Bookrunner may, at its sole and absolute discretion, re-allocate such number of Placing Shares as it deems appropriate from the Placing to the Public Offer to satisfy in whole or in part the excess demand in the Public Offer.

If the Public Offer Shares are not fully subscribed for, the Sole Bookrunner may, at its sole and absolute discretion, re-allocate all or any unsubscribed Public Offer Shares to the Placing, in such proportion as the Sole Bookrunner deems appropriate.

Applications

The Sole Bookrunner (on behalf of the Underwriters) may require any investor who has been offered Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him/her/it that he/she/it and any person(s) for whose benefit he/she/it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK$1.35 per Share in addition to any brokerage, Stock Exchange trading fee and SFC transaction levy payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the sub-section headed "Price determination of the Share Offer" in this section, is less than the maximum price of HK$1.35 per Share, appropriate refund payments (including the brokerage, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Public Offer.

PLACING

Number of Offer Shares offered

The number of Offer Shares to be initially offered for subscription or sale under the Placing will be 90,000,000 Offer Shares (subject to re-allocation and the Over-allotment Option), representing approximately 90% of the total number of the Offer Shares initially available under the Share Offer. The Placing is subject to, among other things, the Public Offer being unconditional. Subject to any re-allocation of Offer Shares between the Placing and the Public Offer, before taking into account any exercise of the Over-allotment Option, the Placing Shares will represent 22.5% of the Company's enlarged issue share capital immediately after the completion of the Capitalisation Issue and the Share Offer.

Allocation

The Placing will include selective marketing of Offer Shares to professional, institutional, corporate and other investors (excluding retail investors) anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside Hong Kong. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the book-building process described in the sub-section headed "Price determination of the Share Offer" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole.

Over-allotment Option

In connection with the Share Offer, the Company is expected to grant an Over-allotment Option to China Merchants Securities and exercisable by China Merchants Securities.

Pursuant to the Over-allotment Option, China Merchants Securities has the right, exercisable at any time, to require the Company to allot and issue up to 15,000,000 Shares, representing approximately 15% of the number of the Offer Shares initially available under the Share Offer, at the same price per Share under the Placing to cover, among other things, over-allocation in the Placing, if any. If the Over-allotment Option is exercised in full, the Offer Shares to be issued under the Public Offer and Placing (being 115,000,000 Shares will represent approximately 27.71% of the share capital of the Company immediately following the completion of the Capitalisation Issue and the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the Listing Rules.

Stock Borrowing Arrangement

For the purpose of covering over-allocations in the Placing, China Merchants Securities may borrow up to 15,000,000 Shares from Dragon Fortune, equivalent to the maximum number of Shares to be issued on a full exercise of the Over-allotment Option, under the Stock Borrowing Agreement on the following conditions in compliance with Rule 10.07(3) of the Listing Rules:

(i) such stock borrowing arrangement will only be effected by China Merchants Securities for settlement of over-allocations of Shares in connection with the Placing;

(ii) the maximum number of Shares which may be borrowed from Dragon Fortune by China Merchants Securities under the Stock Borrowing Agreement must not exceed the maximum number of Shares which may be issued upon the full exercise of the Over-allotment Option;

(iii) the same number of Shares so borrowed must be returned to Dragon Fortune or its nominees, as the case may be, on or before the third business day following the earlier of:

(a) the last day on which the Over-allotment Option may be exercised; and

(b) the day on which the Over-allotment Option is exercised in full;

(iv) the borrowing of Shares under the Stock Borrowing Agreement will be effected in compliance with all applicable Listing Rules, laws and other regulatory requirements; and

(v) no payments or other benefits will be made to Dragon Fortune by China Merchants Securities in relation to such stock borrowing arrangement.

PRICE DETERMINATION OF THE SHARE OFFER

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Thursday, 20 January 2011, and in any event on or before Friday, 21 January 2011, by agreement between China Merchants Securities (for itself and on behalf of the Underwriters) and the Company.

The Offer Price will be not more than HK$1.35 per Share and is expected to be not less than HK$1.01 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Sole Bookrunner, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional, corporate and other investors during the book-building process, and with the consent of the Company, reduce the number of the Offer Shares offered in the Share Offer and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, the Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Public Offer, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Journal (in Chinese), and on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.telefieldgroup.com.hk** notices of the reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative offer price range. Upon issue of such a notice, the number of Offer Shares offered in the Share Offer and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Bookrunner (on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon by the Company with China Merchants Securities (for itself and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

The final Offer Price, the indications of interest in the Share Offer, the results of applications and the basis of allotment of Offer Shares available under the Public Offer, are expected to be announced on Wednesday, 26 January 2011 in the manner set out in the paragraph headed "7. Results of allocations" under the section headed "How to Apply for Public Offer Shares – III. Applying by using a **WHITE** or **YELLOW** Application Form" in this prospectus.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong and a number of other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

The Sole Bookrunner has been appointed by the Company as the stabilising manager (the "**Stabilising Manager**") for the purposes of the Share Offer in accordance with the Securities and Futures (Price Stabilising) Rules made under the SFO. In connection with the Share Offer, the Sole Bookrunner, its affiliates or any person acting for it, as stabilising manager, may, to the extent permitted by applicable laws of Hong Kong or elsewhere over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period beginning on the Listing Date and expected to end on Friday, 18 February 2011, being the 30th day after the last day for lodging of applications under the Public Offer. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Sole Bookrunner, its affiliates or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the sole and absolute discretion of the Sole Bookrunner and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Public Offer. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be issued by the Company under the Over-allotment Option, namely 15,000,000 Shares, which is 15% of the Shares initially available under the Share Offer.

Stabilising Manager, its affiliates or any person acting for it may take all or any of the following stabilising action in Hong Kong during the stabilisation period:

(i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(ii) in connection with any action described in paragraph (i) above;

(a) (1) over-allocation; or

(2) selling or agreeing to sell the Shares so as to establish a short position in them,

for the purpose of preventing or minimising any reduction in the market price of the Shares;

(b) exercise the Over-allotment Option and subscribe for, or agreeing to subscribe for, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (a) above;

(c) sell or agree to sell any Shares by it in the course of the stabilising action referred to in the paragraph (i) above in order to liquidate any position held as a result of those purchases; and

(d) offer or attempt to do anything described in (a), (b) and (c) above.

Specifically, prospective applicants for and investors in the Shares should note that:

- the Sole Bookrunner, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty regarding the extent to which and the time period for which the Sole Bookrunner, its affiliates or any person acting for it, will maintain such a position; Investors should be warned of the possible impact of any liquidation of such long position by the Sole Bookrunner, its affiliates or any other person acting for them, may have an adverse impact on the market price of the Shares;

- Stabilising action cannot be used to support the price of the Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on Friday, 18 February 2011, being the 30th day after the last date for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;

- the price of the Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by taking of any stabilising action; and

- stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the Shares.

The Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Share Offer, the Sole Bookrunner may over-allocate up to and not more than an aggregate of 15,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Bookrunner at its discretion, or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the Placing, China Merchants Securities may borrow up to 15,000,000 Shares from Dragon Fortune, equivalent to the maximum number of Shares to be issued by the Company on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. Such stock borrowing arrangement will be in compliance with Rule 10.07(3) of the Listing Rules.

DEALING

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 27 January 2011, it is expected that dealings in the Offer Shares on the Stock Exchange will commence at 9:30 a.m. on Thursday, 27 January 2011.

I. METHODS OF APPLICATION

There are three ways to make an application for the Public Offer Shares. You may apply for the Public Offer Shares by either (i) using a **WHITE** or **YELLOW** Application Form; (ii) submitting applications online through the designated website of the **HK eIPO White Form** Service Provider, referred herein as the "**HK eIPO White Form** service"; or (iii) giving **electronic application instructions** to HKSCC via CCASS to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application by any of the above methods.

II. WHO CAN APPLY FOR THE PUBLIC OFFER SHARES

You can apply for Public Offer Shares if you or any person(s) for whose benefit you are applying are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- and are not a US Person (as defined in Regulation S under the US Securities Act ("**Regulation S**")), or a legal or natural person of PRC (except qualified domestic institutional investors).

If you wish to apply for Public Offer Shares online through the designated website at **www.hkeipo.hk**, referred to herein as the "**HK eIPO White Form**" service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **HK eIPO White Form service if you are an individual applicant. Corporations or joint applicants may not apply by means of HK eIPO White Form**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorised officer, who must state his or her representative capacity.

If an application is made by a person duly authorised under a valid power of attorney, the Sole Bookrunner (or their respective agents or nominees) may accept it at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

The Company and the Sole Bookrunner, in their capacity as the Company's agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The Public Offer Shares are not available to existing beneficial owners of the Shares, the Directors, or chief executive officers or their respective associates or any other connected persons (as defined in the Listing Rules) of the Company or persons who will become the Company's connected persons immediately upon completion of the Share Offer.

You should also note that you may apply for the Shares under the Public Offer or indicate an interest for Shares under the Placing, but may not do both.

III. APPLYING BY USING A WHITE OR YELLOW APPLICATION FORM

1. Which application method to use

(a) Use a **WHITE** Application Form if you want the Public Offer Shares to be issued in your own name.

(b) Instead of using a **WHITE** Application Form, you may apply for the Public Offer Shares by means of the **HK eIPO White Form** service by submitting an application online through the designated website at **www.hkeipo.hk**. Use the **HK eIPO White Form** service if you want the Shares to be registered in your own name.

(c) Use a **YELLOW** Application Form if you want the Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

(d) Instead of using a **YELLOW** Application Form, you may give electronic application instruction to HKSCC to cause HKSCC Nominees to apply for the Public Offer Shares on your behalf via CCASS. Any Public Offer Shares allocated to you will be registered in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participants stock account or your designated CCASS Participant's stock account.

2. Where to collect the Application Forms

(a) You can collect a **WHITE** Application Form and a prospectus, during normal business hours from 9:00 a.m. on Friday, 14 January 2011 until 12:00 noon on Wednesday, 19 January 2011, from:

any of the following addresses of the Public Offer Underwriters:

China Merchants Securities (HK) Co., Limited
48/F One Exchange Square, Central, Hong Kong

Kingsway Financial Services Group Limited
5/F, Hutchison House, 10 Harcourt Road, Central, Hong Kong

OSK Securities Hong Kong Limited
12/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong

Daewoo Securities (Hong Kong) Limited
Suites 2005-2012 Two International Finance Centre, 8 Finance Street, Central, Hong Kong

VC Brokerage Limited
28/F, The Centrium, 60 Wyndham Street, Central, Hong Kong

or any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

District	Branch	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	Yun Ping Road Branch	G/F to 2/F, Fortune Centre, 4-48 Yun Ping Road, Causeway Bay

District	Branch	Address
Kowloon	Kwun Tong Branch	1A Yue Man Square, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan

(b) You can collect a **YELLOW** Application Form and a prospectus, during normal business hours from 9:00 a.m. on Friday, 14 January 2011 until 12:00 noon on Wednesday, 19 January 2011, from:

(1) the **Depository Counter of HKSCC** at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or

(2) your stockbroker, who may have such Application Forms and this prospectus available.

3. How to complete the Application Form and make payment

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application may be rejected and returned by ordinary post together with the accompanying cheque or banker 's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Form, amongst other things, you:

(i) agree with the Company and each Shareholder, and the Company agrees with each of the Shareholders, to observe and comply with the Companies Ordinance, the Memorandum and Articles of Association;

(ii) agree with the Company and each shareholder of the Company that the Shares in the Company are freely transferable by the holders thereof;

(iii) authorise the Company to enter into a contract on your behalf with each of the Directors and officers of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to the Shareholders as stipulated in the Memorandum and Articles of Association;

(iv) confirm that you have only relied on the information and representations in this prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this prospectus;

(v) agree that the Company and the Directors are liable only for the information and representations contained in this prospectus and any supplement thereto;

(vi) undertake and confirm that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;

(vii) agree to disclose to the Company, its registrar, receiving banker, the Sole Bookrunner and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application;

(viii) instruct and authorise the Company and/or the Sole Bookrunner as agent for the Company (or their respective agents or nominees) to do on your behalf all things necessary to effect registration of any Public Offer Shares allocated to you in your name(s) or HKSCC Nominees, as the case may be, as required by the Articles of Association and otherwise to give effect to the arrangements described in this prospectus and the Application Form;

(ix) represent, warrant and undertake that you are not, and none of the other person(s) for whose benefit you are applying, is a US person (as defined in Regulation S);

(x) represent and warrant that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside the United States (as defined in Regulation S) when completing the Application Form or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xi) agree (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xii) warrant the truth and accuracy of the information contained in your application;

(xiii) agree that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;

(xiv) confirm that you have read the terms and conditions and application procedures set out in this prospectus and the Application Form and agree to be bound by them;

(xv) undertake and agree to accept the Shares applied for, or any lesser number allocated to you under the application; and

(xvi) if the laws of any place outside Hong Kong are applicable to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Bookrunner and the Public Offer Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus.

In order for the **YELLOW** Application Forms to be valid:

(i) **If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):**

the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.

(ii) **If the application is made by an individual CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card Number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) **If the application is made by a joint individual CCASS Investor Participant:**

(a) the Application Form must contain all joint CCASS Investor Participant's names and the Hong Kong Identity Card Number of all the joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) **If the application is made by a corporate CCASS Investor Participant:**

(a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or omission of details of the CCASS Participant (including participant I.D. and/or company chop bearing its company name) or other similar matters may render the application invalid.

If your application is made through a duly authorised attorney, the Company and the Sole Bookrunner as its agent may accept it at their discretion, and subject to any conditions they think fit, including evidence of the authority of your attorney. The Company and the Sole Bookrunner, in the capacity as its agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

4. How to make payment for the application

Each completed **WHITE** or **YELLOW** Application Form must be accompanied by either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form.

If you pay by cheque, the cheque must:

- be in Hong Kong dollars;
- be drawn on your Hong Kong dollar bank account in Hong Kong;
- bear an account name (or, in the case of joint applicants, the name of the first-named applicant) (either pre-printed on the cheque or endorsed on the reverse of the cheque by an authorised signatory of the bank on which it is drawn), which must be the same as the name on your Application Form (or, in the case of joint applicants, the name of the first-named applicant). If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant);
- be made payable to "Horsford Nominees Limited – Telefield International Public Offer";
- be crossed "Account Payee Only"; and
- not be post dated.

Your application may be rejected if your cheque does not meet all of these requirements or is dishonoured on first presentation. If you pay by banker 's cashier order, the banker's cashier order must:

- be in Hong Kong dollars;
- be issued by a licensed bank in Hong Kong and have your name certified on the reverse of the banker's cashier order by an authorised signatory of the bank on which it is drawn. The name on the reverse of the banker's cashier order and the name on the Application Form must be the same. If the application is a joint application, the name on the back of the banker's cashier order must be the same as the name of the first-named applicant;
- be made payable to "Horsford Nominees Limited – Telefield International Public Offer";
- be crossed "Account Payee Only"; and
- not be post-dated.

Your application may be rejected if your banker's cashier order does not meet all of these requirements.

The right is reserved to present all or any remittance for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Wednesday, 19 January 2011. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of refund cheques). The right is also reserved to retain any share certificates and/or any surplus application monies or refunds pending clearance of your cheque or banker's cashier order.

5. Members of the public – Time for applying for Public Offer Shares

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Wednesday, 19 January 2011, or, if the application lists are not open on that day, by the time and date stated in the paragraph headed "6. Effect of bad weather on the opening of the application lists" under the sub-section headed "III. Applying by using a **WHITE** or **YELLOW** Application Form" in this section.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited listed under the section headed "2. Where to collect the Application Forms" under the sub-section headed "III. Applying by using a **WHITE** or **YELLOW** Application Form" in this section at the following times:

Friday, 14 January 2011	**–**	**9:00 a.m. to 5:00 p.m.**
Saturday, 15 January 2011	**–**	**9:00 a.m. to 1:00 p.m.**
Monday, 17 January 2011	**–**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 18 January 2011	**–**	**9:00 a.m. to 5:00 p.m.**
Wednesday, 19 January 2011	**–**	**9:00 a.m. to 12:00 noon**

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 19 January 2011.

No proceedings will be taken on applications for the Offer Shares and no allotment of any such Offer Shares will be made until after the closing of the application lists.

6. Effect of bad weather on the opening of the application lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above, or
- a "black" rainstorm warning

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 19 January 2011. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon. Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

7. Results of allocations

The results of allocations of the Public Offer Shares in the Public Offer and the Hong Kong identity card/passport/Hong Kong business registration certificate numbers of successful applicants and the number of the Offer Shares successfully applied for will be made available at the times and dates and in the manner specified below:

- on the website of the Company at **www.telefieldgroup.com.hk** and the Stock Exchange's website at **www.hkexnews.hk** from Wednesday, 26 January 2011 onwards;
- on the Public Offer results of allocations website designated by the Company at **www.tricor.com.hk/ipo/result** on a 24-hour basis from 8:00 a.m. on Wednesday, 26 January 2011 to 12:00 midnight on Tuesday, 1 February 2011. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration certificate number provided in his/her/its application form to search for his/her/its own allocation result;

- from the Public Offer allocation results telephone enquiry line designated by the Company. Applicants may find out whether or not their applications have been successful and the number of the Offer Shares allocated to them, if any, by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 26 January 2011 to Monday, 31 January 2011 (excluding Saturdays and Sundays or public holidays in Hong Kong); and

- from special allocation results booklets which set out the results of allocations and will be available for inspection during opening hours of the designated branches of the receiving banker of the Public Offer from 9:00 a.m. to 5:00 p.m. from Wednesday, 26 January 2011 to Friday, 28 January 2011.

8. Despatch/Collection of share certificates, e-Auto refund payment instructions and refund cheques

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK$1.35 per Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy thereon) initially paid on application, or if the conditions of the Public Offer are not fulfilled in accordance with the section headed "Structure of the Share Offer – Conditions of the Public Offer" in this prospectus or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, Stock Exchange trading fee and SFC transaction levy, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Offer Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post on Wednesday, 26 January 2011 , at your own risk, to the address specified on your Application Form:

(a) for applications on **WHITE** Application Forms or to the designated **HK eIPO White Form** Service Provider: (i) share certificate(s) for all the Public Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Public Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: share certificates for their Offer Shares successfully applied for will be deposited into CCASS as described below); and/or

(b) for applications on **WHITE** or **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) the surplus application monies for the Public Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum Offer Price per Share paid on application in the event that the Offer Price is less than the Offer Price per Share initially paid on application, in each case including the brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, attributable to such refund/surplus monies but without interest.

(c) for applicants applying through the **HK eIPO White Form** service by paying the application monies through a single bank account and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, e-Auto Refund payment instructions (if any) will be despatched to application payment bank account on or around Wednesday, 26 January 2011; and/or

(d) for applicants applying through the **HK eIPO White Form** service by paying the application monies through multiple bank accounts and applicant's application is wholly or partially unsuccessful and/or the final Offer Price being different from the maximum Offer Price initially paid on applicant's application, refund cheque(s) will be sent to the address specified in applicant's application instructions to the designated **HK eIPO White Form** Service Provider on or around Wednesday, 26 January 2011, by ordinary post and at applicant's own risk.

Subject to personal collection as mentioned below, refund cheque(s) for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the offer price per Share initially paid on application (if any) under **WHITE** or **YELLOW** Application Forms or to the designated **HK eIPO White Form** Service Provider; and share certificate(s) for wholly and partially successful applicants under **WHITE** Application Forms or to the designated **HK eIPO White Form** Service Provider are expected to be posted on or around Wednesday, 26 January 2011. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s).

You will receive one share certificate for all the Offer Shares issued and allotted to you.

Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, 27 January 2011 provided that the Public Offer has become unconditional in all respects and the right of termination described in the paragraph headed "Public Offer Underwriting Agreement – Grounds of termination" under the section headed "Underwriting – Underwriting arrangements and expenses" in this prospectus has not been exercised.

(a) If you apply using a **WHITE** Application Form:

If you apply for 1,000,000 Public Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and have provided all information required by your

Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 26 January 2011 or such other place and date as notified by the Company in the newspapers as the place and date of collection/despatch of e-Auto refund payment instructions/refund cheque(s)/share certificate(s). If you are an individual who opts for personal collection, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares or if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 26 January 2011, by ordinary post and at your own risk.

(b) If you apply using a **YELLOW** Application Form:

If you apply for 1,000,000 Public Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for less than 1,000,000 Public Offer Shares or if you apply for 1,000,000 Public Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) in person, your refund cheque(s) (where applicable) will be sent to the address on your Application Form on Wednesday, 26 January 2011, by ordinary post and at your own risk.

If you apply for Public Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Wednesday, 26 January 2011, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Public Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Public Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the newspapers on Wednesday, 26 January 2011. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 26 January 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your stock account.

(c) If you apply using **HK eIPO White Form**:

If you apply for 1,000,000 Public Offer Shares or more through the **HK eIPO White Form** service by submitting an electronic application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** and your application is wholly or partially successful, you may collect your share certificate(s) and/or refund cheque(s) (where applicable) in person from Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 26 January 2011, or such other date as notified by the Company in the newspapers as the date of despatch/collection of share certificate(s)/refund cheque(s)/e-Auto refund payment instructions. If you do not collect your share certificate(s) and/or refund cheque(s) (where applicable) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) and/or refund cheque(s) (where applicable) will be sent to the address specified in your application instructions to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** on Wednesday, 26 January 2011 by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money under-paid or applications rejected by the designated **HK eIPO White Form** Service Provider set out below in the paragraph headed "2. Additional information" under the sub-section headed "IV. Applying through **HK eIPO White Form**" in this section.

IV. APPLYING THROUGH HK EIPO WHITE FORM

1. General

(a) If you are an individual and satisfy the relevant eligibility criteria set out in the sub-section headed "II. Who can apply for Public Offer Shares" in this section and on the same website, you may apply through **HK eIPO White Form** by submitting an application to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk**. If you apply through **HK eIPO White Form**, the Shares will be issued in your own name.

(b) Detailed instructions for application through the **HK eIPO White Form** service are set out in the designated website at **www.hkeipo.hk.** You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the **HK eIPO White Form** Service Provider and may not be submitted to the Company.

(c) In addition to the terms and conditions set out in this prospectus, the **HK eIPO White Form** Service Provider may impose additional terms and conditions upon you for the use of the **HK eIPO White Form** service. Such terms and conditions are set out on the designated website at **www.hkeipo.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

(d) By submitting an application to the **HK eIPO White Form** Service Provider through the **HK eIPO White Form** service, you are deemed to have authorised the **HK eIPO White Form** Service Provider to transfer the details of your application to the Company and its registrars.

(e) You may submit an application through the **HK eIPO White Form** service in respect of a minimum of 2,000 Public Offer Shares. Each electronic application instruction in respect of more than 2,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.hkeipo.hk**.

(f) You may submit your application to the designated **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** from 9:00a.m. on Friday, 14 January 2011 until 11:30 a.m. on Wednesday, 19 January 2011 or such later time as described in the paragraph headed "7. Effect of bad weather on the opening of the application lists" under the sub-section headed "V. Applying by giving electronic application instructions to HKSCC" in this section (24 hours daily, except on the last application day).

The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 19 January 2011, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed "7. Effect of bad weather on the opening of the application lists under the sub-section headed "V. Applying by giving electronic application instructions to HKSCC" in this section.

(g) You should make payment for your application made by **HK eIPO White Form** service in accordance with the methods and instructions set out in the designated website at **www.hkeipo.hk**. If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Wednesday, 19 January 2011, or such later time as described in the paragraph headed "7. Effect of bad weather on the opening of the application lists" under the sub-section headed "V. Applying by giving electronic application instructions to HKSCC" in this section, the **HK eIPO White Form** Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website **www.hkeipo.hk**.

(h) Once you have completed payment in respect of any electronic application instruction given by you or for your benefit to the designated **HK eIPO White Form** Service Provider to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

(i) Warning: The application for Public Offer Shares through **HK eIPO White Form** service is only a facility provided by the **HK eIPO White Form** Service Provider to public investors. The Company, the Directors, the Sole Bookrunner and the Underwriters take no responsibility for such applications, and provide no assurance that applications through the **HK eIPO White Form** service will be submitted to the Company or that you will be allotted any Public Offer Shares.

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the HK eIPO White Form service, you are advised not to wait until the last day for submitting applications in the Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **HK eIPO White Form** service, you should submit a **WHITE** Application Form. However, once you have submitted electronic application instructions and completed payment in full using the payment reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit another application. Please refer to the sub-section headed "VI. How many applications you may make" in this section for further details.

2. Additional information

For the purposes of allocating Public Offer Shares, each applicant giving electronic application instructions through **HK eIPO White Form** service to the **HK eIPO White Form** Service Provider through the designated website at **www.hkeipo.hk** will be treated as an applicant. If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Public Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **HK eIPO White** Form Service Provider, the designated **HK eIPO White Form** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **HK eIPO White Form** Service Provider on the designated website at **www.hkeipo.hk**. Otherwise, any monies payable to you due to a refund for any of the reasons is set out in the sub-section headed "IX. Refund of application monies" in this section.

V. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

1. General

CCASS Participants may give electronic application instructions to HKSCC to apply for the Public Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give electronic application instructions through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (https://ip.ccass.com) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Infinitus Plaza,
199 Des Voeux Road Central,
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to the Company and its registrars.

2. Giving electronic application instructions to HKSCC to apply for Public Offer Shares by HKSCC Nominees on your behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Public Offer Shares:

(i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees does the following things on behalf of each such person:

- agrees that the Pubic Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted electronic application instructions on that person's behalf or that person's CCASS Investor Participant stock account;

- undertakes and agrees to accept Public Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- undertakes and confirms that that person has not applied for or taken up any Offer Shares under the Placing nor otherwise participated in the Placing;

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) declares that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- understands that the above declaration will be relied upon by the Company, the Directors and the Sole Bookrunner in deciding whether or not to make any allotment of Public Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- authorises the Company to place the name of HKSCC Nominees on the register of members of the Company as the holder of the Public Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;

- confirms that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them;

- confirms that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give electronic application instructions on that person's behalf;

- agrees that the Company and the Directors are liable only for the information and representations contained in this prospectus;

- agrees to disclose that person's personal data to the Company, the Sole Bookrunner and/or their respective agents and any information which they may require about that person;

- agrees (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;

- agrees that any application made by HKSCC Nominees on behalf of that person pursuant to electronic application instructions given by that person cannot be revoked before Monday, 24 January 2011, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that the Company will not offer any Public Offer Shares to any person before Monday, 24 January 2011, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before Monday, 24 January 2011 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- agrees that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Public Offer published by the Company;

- agrees to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Public Offer Shares;

- agrees with the Company, for itself and for the benefit of each of the Shareholders (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Memorandum and Articles of Association;

- agrees with the Company (for itself and for the benefit of each of the Shareholders) that the Shares in the Company are freely transferable by the holders thereof;

- authorises the Company to enter into a contract on its behalf with each of the Directors and officers of the Company whereby each such Director and officer undertakes to observe and comply with his obligations to Shareholders stipulated in the Memorandum and Articles of Association; and

- agrees that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

3. Effect of giving electronic application instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

- instructed and authorised HKSCC to arrange payment of the maximum offer price, brokerage, Stock Exchange trading fee and SFC transaction levy by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, Stock Exchange trading fee and SFC transaction levy, by crediting your designated bank account; and

- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

4. Multiple applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

5. Minimum subscription amount and permitted multiples

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 2,000 Public Offer Shares. Such instructions in respect of more than 2,000 Public Offer Shares must be in one of the numbers or multiples set out in the table in the Application Forms.

6. Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Friday, 14 January 2011	–	**9:00 a.m. to 8:30 p.m.***(Note 1)*
Saturday, 15 January 2011	–	**8:00 a.m. to 1:00 p.m.***(Note 1)*
Monday, 17 January 2011	–	**8:00 a.m. to 8:30 p.m.***(Note 1)*
Tuesday, 18 January 2011	–	**8:00 a.m. to 8:30 p.m.***(Note 1)*
Wednesday, 19 January 2011	–	**8:00 a.m.***(Note 1)* **to 12:00 noon**

Note:

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 14 January 2011 until 12:00 noon on Wednesday, 19 January 2011 (24 hours daily, except the last application day).

7. Effect of bad weather on the opening of the application lists

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 19 January 2011, the last application day. If:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal

is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 19 January 2011, the last application day will be postponed to the next business day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12 noon on such day.

Business day means a day that is not a Saturday, Sunday or public holiday in Hong Kong.

8. Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit each such instructions is given will be treated as an applicant.

9. Deposit of share certificates into CCASS and refund of application monies

- No temporary document of title will be issued. No receipt will be issued for application monies received.
- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Wednesday, 26 January 2011, or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company shall include information relating to the beneficial owner, if supplied), your Hong Kong identity card number/passport number, or other identification code (Hong Kong Business Registration number for corporations) together with the results of allocation of the Public Offer in accordance with the details set out in the paragraph headed "7. Results of

allocations" under the sub-section headed "III. Applying by using a **WHITE** or **YELLOW** Application Form" in this section on Wednesday, 26 January 2011. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 26 January 2011 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 26 January 2011. Immediately after the credit of the Public Offer Shares to your CCASS Investor Participant stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account (if any).

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Share initially paid on application, in each case including brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 26 January 2011. No interest will be paid thereon.

10. Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company, and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

11. Personal data

The section of the Application Form entitled "Personal Data" applies to any personal data held by the Company and the Offer Share registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

12. Warning

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. The Company, the Directors, the Sole Bookrunner and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their electronic application instructions to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 19 January 2011.

VI. HOW MANY APPLICATIONS YOU MAY MAKE

You may make more than one application for Public Offer Shares if and only if:

You are a nominee, in which case you may both give electronic application instructions to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the designated **HK eIPO White Form** Service Provider;
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW**

Application Form or by giving electronic application instructions to HKSCC or to the designated **HK eIPO White Form** Service Provider and that you are duly authorised to sign the Application Form as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your application, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider;

- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider;

- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the designated **HK eIPO White Form** Service Provider for more than 5,000,000 Offer Shares, as more particularly described in the section headed "Structure of the Share Offer – Public Offer"; or

- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the Placing.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and

- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or

- or control more than half of the voting power of the company; or

- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

VII. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

Full details of the circumstances in which you will not be allotted the Public Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which Public Offer Shares will not be allotted to you:

- **If your application is revoked:**

  By completing and submitting an Application Form or submitting electronic application instructions to HKSCC or the designated **HK eIPO White Form** Service Provider you agree that your application or the application made by HKSCC Nominees or the **HK eIPO White Form** Service Provider on your behalf cannot be revoked on or before Monday, 24 January 2011. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or submit your electronic application instruction to HKSCC or the **HK eIPO White Form** Service Provider and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Public Offer Shares to any person before Monday, 24 January 2011 except by means of one of the procedures referred to in this prospectus.

  Your application or the application made by HKSCC Nominees or the **HK eIPO White Form** Service Provider on your behalf may be revoked on or before Monday, 24 January 2011 if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

  If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this prospectus as supplemented.

  If your application or the application made by HKSCC Nominees or the **HK eIPO White Form** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

- **Full discretion of the Company or its agents to reject or accept your application**

The Company, the Sole Bookrunner (as agent for the Company), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

The Company, the Sole Bookrunner and the Public Offer Underwriter(s), in their capacity as the agents of the Company and their agents and nominees do not have to give any reason for any rejection or acceptance.

- **If the allotment of Public Offer Shares is void**

The allotment of Public Offer Shares to you or to HKSCC Nominees (if you give electronic application instructions or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Offer Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allotment if:**

  - you make multiple applications or suspected multiple applications;
  - you or the person for whose benefits you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and/or Offer Shares in the Placing. By filling in any of the Application Forms or apply by giving electronic application instructions to HKSCC, you agree not to apply for Public Offer Shares as well as Offer Shares in the Placing. Reasonable steps will be taken to identify and reject applications in the Public Offer from investors who have received Offer Shares in the Placing, and to identify and reject indications of interest in the Placing from investors who have received Public Offer Shares in the Public Offer;
  - your payment is not made correctly or you pay by cheque or banker 's cashier order and the cheque or banker 's cashier order is dishonoured upon its first presentation;
  - your Application Form is not completed in accordance with the instructions as stated in the Application Form (if you apply by an Application Form);

- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Offer Shares under the Public Offer or indicate an interest for Offer Shares under the Placing, but may not do both.

VIII. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK$1.35 per Share. You must also pay brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003% in full. This means that for every board lot of 2,000 Offer Shares you will pay approximately HK$2,727.22. The Application Forms have tables showing the exact amount payable for certain multiples of Offer Shares up to 5,000,000 Offer Shares.

You must pay the amount payable upon application for the Offer Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the Stock Exchange trading fee and the SFC transaction levy are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

IX. REFUND OF APPLICATION MONIES

If you do not receive any Public Offer Shares for any reason, the Company will refund your application monies, including brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%. No interest will be paid thereon. All interest accrued on such monies prior to the date of despatch of refund cheques will be retained for the benefit of the Company.

If your application is accepted only in part, the Company will refund the appropriate portion of your application monies, including the related brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, without interest.

If the Offer Price as finally determined is less than the offer price per Share (excluding brokerage, the Stock Exchange trading fee and the SFC transaction levy thereon) initially paid on application, the Company will refund the surplus application monies, together with the related brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.003%, without interest.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Sole Bookrunner, cheques for applications for certain small denominations of Public Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Wednesday, 26 January 2011 in accordance with the various arrangements as described above.

All refunds by cheque will be crossed "Account Payee Only", and made out to you (or in case of joint applicants, the first-named applicant on the Application Form). Part of your Hong Kong identity card number/passport number, (or in case of joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant) provided by you may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purpose. A banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of or may invalidate your refund cheque.

X. DEALINGS AND SETTLEMENT

1. Commencement of dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 27 January 2011.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 1143.

2. Offer Shares will be eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, RSM Nelson Wheeler Certified Public Accountants. Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VII to this prospectus, a copy of the following Accountants' Report is available for inspection.

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor
Caroline Centre
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

14 January 2011

The Board of Directors
Telefield International (Holdings) Limited
China Merchants Securities (HK) Co., Limited

We set out below our report on the financial information (the "Financial Information") of Telefield International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 December 2009 and the eight months ended 31 August 2010 (the "Relevant Period") for inclusion in the prospectus dated 14 January 2011 issued by the Company (the "Prospectus") in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited by way of placing and public offering.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liabilities on 18 May 2010. The Company has established a place of business in Hong Kong at Units 609-610, 6/F, Bio Informatics Centre, No.2 Science Park West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on 13 October 2010. Through a group reorganisation as more fully explained in the paragraph headed "Group reorganisation" in Appendix VI to the Prospectus (the "Group Reorganisation"), the Company has become the holding company of the Group since 31 December 2010.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 2 to the Financial Information.

All the companies now comprising the Group have adopted 31 December as the financial year end date, except for MBK Limited which adopts 31 March as its financial year end date. MBK Limited was disposed of on 1 April 2009. We acted as auditors of all the companies now comprising the Group for the Relevant Period except as disclosed below.

The statutory financial statements of 廣州中慧電子有限公司 (Guangzhou Telefield Limited), 惠州中慧電子有限公司 (Huizhou Telefield Limited), and 愛康科商貿(深圳)有限公司 (Aiko (Shenzhen) Limited) have been prepared in accordance with the relevant accounting principles and financial regulations applicable to companies established in the People's Republic of China (the "PRC") and were audited by the following certified public accountants registered in the PRC.

Name of company	Financial year/period	Name of auditor
廣州中慧電子有限公司 Guangzhou Telefield Limited *	Years ended 31 December 2007, 2008 and 2009	廣東伯德會計師事務所有限公司 Guangdong Better Certified Public Accountants Co., Ltd. *
惠州中慧電子有限公司 Huizhou Telefield Limited *	Period from 27 February 2008 (date of incorporation) to 31 December 2008 and year ended 31 December 2009	惠州榮德會計師事務所 Hui Zhou Ronde Certified Public Accountants*
愛康科商貿(深圳)有限公司 Aiko Beauty(Shenzhen) Limited *	Years ended 31 December 2007, 2008 and 2009	深圳市永明會計師事務所有限責任公司 Yong Ming (Shenzhen) Certified Public Accountants Co., Ltd.*

* *English names for identification purpose*

The financial statements of TrekStor GmbH for the period from 2 September 2009 (date of incorporation) to 31 December 2009 have been prepared in accordance with German Generally Accepted Accounting Principles issued by the German Legislative Body and were audited by RSM Altavis GmbH registered in Germany, in accordance with German Generally Accepted Standards on Auditing issued by the Institute of Public Auditors in Germany (IDW).

The statutory financial statements of Aiko Products Limited (formerly known as Aiko Beauty Products Limited) for the year ended 31 December 2007 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and were audited by Central & Co. Certified Public Accountants registered in Hong Kong, in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

No audited financial statements of Telefield Medical Devices Limited has been prepared since operation as it is not yet due for statutory audit as at the date of this report.

No audited financial statements of Alagona Holdings Limited, Telefield TrekStor S.a.r.l., Telefield NA Inc., Octopus Electronics LLC, Bracciano Limited, Space Wisdom Limited and the Company have been prepared for the Relevant Period as there are no statutory audit requirements in the respective places of incorporation.

For the purpose of this report, the directors of the Company have prepared the consolidated financial statements of the Group for the Relevant Period in accordance with HKFRSs (the "HKFRS Financial Statements").

We have performed our independent audit on the HKFRS Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the HKFRS Financial Statements in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

The Financial Information has been prepared from the HKFRS Financial Statements in accordance with HKFRSs and on the basis of preparation set out in note 2 to the Financial Information. No adjustments were considered necessary for the purpose of preparing our report for inclusion in the Prospectus.

The directors of the Company are responsible for the preparation of the HKFRS Financial Statements and the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the HKFRS Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

For the purpose of this report, the directors of the Company have prepared the comparative financial information of the Group for the eight months ended 31 August 2009 (the "Comparative Financial Information") in accordance with HKFRSs and on the basis of preparation set out in note 2 to the Financial Information. We have reviewed the Comparative Financial Information in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the Comparative Financial Information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the Comparative Financial Information.

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the Comparative Financial Information.

In our opinion, for the purpose of this report and on the basis of preparation set out in note 2 to the Financial Information, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 31 August 2010 and of the Group's results and cash flows for the Relevant Period.

FINANCIAL INFORMATION

A. COMBINED INCOME STATEMENTS

	Note	Year ended 31 December 2007 HK$'000	2008 HK$'000	2009 HK$'000	Eight months ended 31 August 2009 HK$'000 (unaudited)	2010 HK$'000
Revenue	7	564,052	848,492	821,898	496,794	689,541
Cost of goods sold		(497,797)	(712,162)	(634,166)	(380,675)	(537,076)
Gross profit		66,255	136,330	187,732	116,119	152,465
Other income	9	5,636	3,819	12,371	4,630	5,862
Selling and distribution expenses		(12,767)	(17,413)	(39,851)	(19,043)	(46,608)
Administrative expenses		(27,565)	(40,299)	(52,996)	(28,000)	(49,658)
Other operating expenses		(12,752)	(20,530)	(22,507)	(9,406)	(14,619)
Profit from operations		18,807	61,907	84,749	64,300	47,442
Finance costs	10	(1,969)	(1,844)	(947)	(607)	(2,328)
Gain on disposal of subsidiaries	35(a)	–	–	1,596	784	–
Share of loss of an associate	19	(297)	(17)	–	–	–
Profit before tax		16,541	60,046	85,398	64,477	45,114
Income tax expense	11	(2,188)	(8,792)	(12,731)	(10,913)	(9,155)
Profit for the year/period	12	14,353	51,254	72,667	53,564	35,959
Attributable to:						
Owners of the Company		14,353	51,258	76,216	53,564	47,179
Non-controlling interests		–	(4)	(3,549)	–	(11,220)
		14,353	51,254	72,667	53,564	35,959
Earnings per share						
Basic (HK cents)	16	3.59	12.81	19.05	13.39	11.79

B. COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Eight months ended 31 August	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit for the year/period	14,353	51,254	72,667	53,564	35,959
Other comprehensive income:					
Exchange differences on translating foreign operations	4,060	3,590	58	1	884
Gains on property valuation	–	64	2,508	–	–
Share of other comprehensive income of associate	395	–	–	–	–
Other comprehensive income for the year/period, net of tax	4,455	3,654	2,566	1	884
Total comprehensive income for the year/period	18,808	54,908	75,233	53,565	36,843
Attributable to:					
Owners of the Company	18,808	54,912	78,782	53,565	48,063
Non-controlling interests	–	(4)	(3,549)	–	(11,220)
	18,808	54,908	75,233	53,565	36,843

C. COMBINED STATEMENTS OF FINANCIAL POSITION

		At 31 December			At 31 August
		2007	**2008**	**2009**	**2010**
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets					
Fixed assets	*17*	41,635	51,673	57,713	58,314
Intangible assets	*18*	–	–	48,616	41,789
Investment in an associate	*19*	17	–	–	–
Available-for-sale financial assets	*20*	–	–	–	–
Deferred tax assets	*32*	–	–	10,520	8,538
		41,652	51,673	116,849	108,641
Current assets					
Inventories	*21*	65,349	66,234	112,806	155,948
Trade receivables	*22*	150,725	155,828	158,640	156,814
Prepayments, deposits and other receivables		7,175	13,966	12,274	32,095
Derivative instruments	*23*	–	–	–	4,022
Amounts due from related parties	*24*	3,412	8,923	15	15
Current tax assets		–	–	2,431	1,043
Bank and cash balances	*25*	12,627	76,267	68,622	109,020
		239,288	321,218	354,788	458,957
Current liabilities					
Trade payables	*26*	93,520	102,887	107,116	134,603
Accruals and other payables		46,019	71,261	103,352	111,288
Financial liabilities at fair value through profit or loss	*31*	–	–	5,692	7,221
Amounts due to related parties	*27*	4,168	5,852	18,255	71
Bank borrowings	*28*	51,503	49,082	28,591	70,562
Finance lease payables	*29*	2,195	622	–	–
Product warranty provision	*30*	4,103	12,836	12,968	11,904
Current tax liabilities		1,360	8,029	11,205	15,226
		202,868	250,569	287,179	350,875
Net current assets		36,420	70,649	67,609	108,082
Total assets less current liabilities		78,072	122,322	184,458	216,723

	Note	At 31 December 2007 HK$'000	2008 HK$'000	2009 HK$'000	At 31 August 2010 HK$'000
Non-current liabilities					
Finance lease payables	29	622	–	–	–
Financial liabilities at fair value through profit or loss	31	–	–	21,479	19,024
Deferred tax liabilities	32	1,963	1,923	17,109	14,986
		2,585	1,923	38,588	34,010
NET ASSETS		75,487	120,399	145,870	182,713
Capital and reserves					
Share capital	33	3,171	3,171	3,171	3,171
Reserves	34	72,316	117,228	143,510	191,573
Equity attributable to owners of the Company		75,487	120,399	146,681	194,744
Non-controlling interests		–	–	(811)	(12,031)
TOTAL EQUITY		75,487	120,399	145,870	182,713

D. COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital	**Other reserve** *(Note 34(b)(i))*	**Foreign currency translation reserve** *(Note 34(b)(ii))*	**Property revaluation reserve** *(Note 34(b)(iii))*	**Contributed surplus** *(Note 34(b)(iv))*	**Statutory reserve** *(Note 34(b)(v))*	**Retained profits**	**Proposed dividend**	**Total**	**Non-controlling interests**	**Total equity**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2007	3,171	–	2,778	191	18,298	–	32,241	6,500	63,179	–	63,179
Total comprehensive income for the year	–	395	4,060	–	–	–	14,353	–	18,808	–	18,808
2006 final dividend paid	–	–	–	–	–	–	–	(6,500)	(6,500)	–	(6,500)
2007 proposed final dividend *(note 15)*	–	–	–	–	–	–	(10,000)	10,000	–	–	–
At 31 December 2007 and 1 January 2008	3,171	395	6,838	191	18,298	–	36,594	10,000	75,487	–	75,487
Non-controlling interests of newly set up subsidiary	–	–	–	–	–	–	–	–	–	4	4
Total comprehensive income for the year	–	–	3,590	64	–	–	51,258	–	54,912	(4)	54,908
2007 final dividend paid *(note 15)*	–	–	–	–	–	–	–	(10,000)	(10,000)	–	(10,000)
2008 proposed final dividend *(note 15)*	–	–	–	–	–	–	(19,000)	19,000	–	–	–
At 31 December 2008 and 1 January 2009	3,171	395	10,428	255	18,298	–	68,852	19,000	120,399	–	120,399
Non-controlling interests of newly set up subsidiaries *(note 36)*	–	–	–	–	–	–	–	–	–	2,738	2,738
Total comprehensive income for the year	–	–	58	2,508	–	–	76,216	–	78,782	(3,549)	75,233
Disposal of an associate	–	(395)	–	–	–	–	395	–	–	–	–
Transfers	–	–	–	–	–	355	(355)	–	–	–	–
2008 final dividend paid *(note 15)*	–	–	–	–	–	–	–	(19,000)	(19,000)	–	(19,000)
2009 interim dividends paid *(note 15)*	–	–	–	–	–	–	(33,500)	–	(33,500)	–	(33,500)
At 31 December 2009 and 1 January 2010	3,171	–	10,486	2,763	18,298	355	111,608	–	146,681	(811)	145,870
Total comprehensive income for the period	–	–	884	–	–	–	47,179	–	48,063	(11,220)	36,843
At 31 August 2010	3,171	–	11,370	2,763	18,298	355	158,787	–	194,744	(12,031)	182,713
(Unaudited)											
At 31 December 2008 and 1 January 2009	3,171	395	10,428	255	18,298	–	68,852	19,000	120,399	–	120,399
Total comprehensive income for the period	–	–	1	–	–	–	53,564	–	53,565	–	53,565
2009 interim dividend paid (note 15)	–	–	–	–	–	–	(15,000)	–	(15,000)	–	(15,000)
At 31 August 2009	3,171	395	10,429	255	18,298	–	107,416	19,000	158,964	–	158,964

E. COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax	16,541	60,046	85,398	64,477	45,114
Adjustments for:					
Allowance for receivables, net	1,740	913	239	–	–
Allowance on inventories, net	335	917	–	–	–
Amortisation of intangible assets	–	–	5,564	3,278	4,729
Depreciation	8,989	11,845	11,214	7,049	8,414
Fair value loss on financial liabilities at fair value through profit or loss	–	–	711	711	2,689
Fair value gain on derivative instrument	–	–	–	–	(1,027)
Finance costs	1,969	1,844	947	607	2,328
Gain on disposal of subsidiaries *(note 35(a))*	–	–	(1,596)	(784)	–
Discount on acquisitions *(note 35(b))*	–	–	(9,010)	(2,436)	–
Interest income	(526)	(247)	(64)	(32)	(17)
Impairment loss on amount due from related companies	–	450	–	–	–
Impairment loss on available-for-sale financial assets	–	2,340	–	–	–
Impairment loss on investment in an associate	1,462	–	–	–	–
Loss on disposal of fixed assets	–	1,664	2,294	–	7
Provision on product warranty	3,790	10,872	8,811	6,908	9,822
Reversal of allowance for receivables, net	–	–	–	(223)	(204)
Reversal of allowance on inventories, net	–	–	(306)	(3,150)	(844)
Reversal of impairment loss on amount due from related parties	–	–	(637)	–	–
Equity-settled share-based payments	–	–	2,738	–	–
Share of loss of an associate	297	17	–	–	–
Operating profit before working capital changes	34,597	90,661	106,303	76,405	71,011
Payment of contingent considerations *(note 31)*	–	–	(4,774)	(1,938)	(3,326)
Decrease/(increase) in inventories	10,473	(1,802)	(2,417)	(2,802)	(42,298)
(Increase)/decrease in trade receivables	(33,074)	(6,016)	(3,058)	47,590	2,030
Decrease/(increase) in prepayments, deposits and other receivables	1,371	(6,791)	622	(2,921)	(19,821)
(Increase)/decrease in amount due from related parties	(1,241)	(5,961)	9,545	(2,664)	–
Increase/(decrease) in trade payables	19,800	9,367	4,229	(4,986)	27,487
(Decrease)/increase in accruals and other payables	(1,818)	25,242	22,341	3,181	12,383
(Decrease)/increase in amount due to related parties	(1,388)	1,684	(3,425)	(1,957)	316
Decrease in product warranty provisions	(2,135)	(2,139)	(16,709)	(10,105)	(10,449)
Cash generated from operations	26,585	104,245	112,657	99,803	37,333
Income tax paid	(2,303)	(2,096)	(12,410)	(469)	(3,501)
Finance costs paid	(1,969)	(1,844)	(947)	(607)	(2,328)
Net cash generated from operating activities	22,313	100,305	99,300	98,727	31,504

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of an associate	(1,381)	–	–	–	–
Business combinations *(note 35(b))*	–	–	(35,201)	(24,232)	(5,130)
Disposal of subsidiaries *(note 35(a))*	–	–	(215)	(161)	–
Investment in available-for-sale financial assets	–	(2,340)	–	–	–
Interest received	526	247	64	32	17
Purchase of derivative instrument	–	–	–	–	(2,995)
Purchases of fixed assets	(13,508)	(24,312)	(16,803)	(8,464)	(9,156)
Proceeds from disposal of fixed assets	–	1,324	26	–	68
Net cash used in investing activities	(14,363)	(25,081)	(52,129)	(32,825)	(17,196)
CASH FLOWS FROM FINANCING ACTIVITIES					
Capital injected by non-controlling interest shareholders	–	4	–	–	–
Bank loans raised	2,116	10,000	12,000	12,000	54,336
Repayment of bank loans	(3,222)	(4,726)	(6,926)	(4,387)	(9,564)
Net factoring loans (repaid)/raised	(12,137)	3,191	(22,410)	(22,410)	–
Net import/export loans raised/(repaid)	3,173	(10,886)	(3,155)	(7,356)	(2,801)
Repayment of finance lease payables	(2,036)	(2,195)	(622)	(622)	–
Dividends paid	(6,500)	(10,000)	(34,000)	(15,000)	(18,500)
Net cash (used in)/generated from financing activities	(18,606)	(14,612)	(55,113)	(37,775)	23,471
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(10,656)	60,612	(7,942)	28,127	37,779
Effect of foreign exchange rate changes	3,752	3,028	297	1	2,619
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	19,531	12,627	76,267	76,267	68,622
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	12,627	76,267	68,622	104,395	109,020
ANALYSIS OF CASH AND CASH EQUIVALENTS					
Bank and cash balances *(note 25)*	12,627	76,267	68,622	104,395	109,020

F. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liabilities on 18 May 2010. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and principal place of business is Units 609-610, 6/F, Bio Informatics Centre, No.2 Science Park West Avenue, Hong Kong Science Park, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 2 to the Financial Information.

In the opinion of the directors of the Company, as at the date of this report, Dragon Fortune International Limited ("Dragon Fortune"), a company incorporated in Hong Kong, is the ultimate parent and ultimate controlling party of the Company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The companies now comprising the Group are under the common control of Dragon Fortune and its beneficial owners (collectively, the "Controlling Shareholders"). Pursuant to the Group Reorganisation, the Company acquired the entire interests of Telefield Holdings Limited and its subsidiaries (collectively, the "Main Group") on 31 December 2010 by way of swap of shares, and the Company became the holding company of the Group.

The Group Reorganisation is more fully explained in Appendix VI to the Prospectus in the paragraph headed "Group reorganisation".

As the Company and the Main Group were both controlled by the Controlling Shareholders before and after the Group Reorganisation, the Group Reorganisation was accounted for as a business combination of entities under common control. The financial statements of the Group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Group Reorganisation had occurred from the date when the combining entities first came under the control of the Controlling Shareholders.

The combined financial statements incorporate the financial statements of the combining entities as if they had been combined from the date when they first came under the control of the Controlling Shareholders.

The combined income statements and statements of comprehensive income and combined statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The combined statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the Group structure as at the date of this report had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

At the date of this report, the Company had the following subsidiaries:

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 31 August	
			2007	2008	2009	2010	
Directly held:							
Telefield Holdings Limited	B.V.I. 25 September 1997	410,000 ordinary shares of US$1 each	100%	100%	100%	100%	Investment holding
Indirectly held:							
Aiko Products Limited (Formerly known as Aiko Beauty Products Limited)	Hong Kong 6 August 2003	10,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Trading of electrical appliances, provision of consultancy and agency services
Alagona Holdings Limited	B.V.I. 23 October 2009	1 ordinary share of US$1 each	–	–	100%	100%	Investment holding
Bracciano Limited	B.V.I. 5 January 2010	1 ordinary share of US$1 each	–	–	–	100%	Investment holding
Circuit Development Limited	Hong Kong 7 September 1993	10,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Property investment
Genius Well Industries Limited (1)	Hong Kong 19 March 1997	1,500,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Inactive
MBK Limited (Formerly known as "Colisa Medical Limited" or "Cambo (HK) Limited")(2)	Hong Kong 5 August 2008	1 ordinary share of HK$1 each	–	100%	–	–	Inactive
Metro Creator Limited	Hong Kong 4 August 2009	10,000 ordinary shares of HK$1 each	–	–	100%	100%	Investment holding
Modern Channel Limited	Hong Kong 4 August 2009	10,000 ordinary shares of HK$1 each	–	–	100%	100%	Inactive
Octopus Electronics LLC(3)	U.S.A. 1 May 2008	Registered capital of US$50,000	–	100%	–	–	Inactive
Space Wisdom Limited	B.V.I. 6 January 2010	1 ordinary share of US$1 each	–	–	–	100%	Inactive
Sino Achieve Limited	Hong Kong 9 November 2007	5,000,000 ordinary shares of HK$1 each	100%	100%	100%	100%	Investment holding and trading

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 31 August	
			2007	2008	2009	2010	
Indirectly held (cont'd):							
Telefield Limited	Hong Kong 28 April 1989	20,000,000 ordinary shares of HK$1 each and 5,000,000 non-voting deferred shares of HK$1 each	100%	100%	100%	100%	Investment holding, Electronic Manufacturing Services for telecommunications, security, car electronics, home appliances, other consumer and industrial electronic products
Telefield Medical Devices Limited	Hong Kong 25 January 2010	1,000 ordinary shares of HK$1 each	–	–	–	100%	Inactive
Telefield NA Inc.	U.S.A. 26 December 2008	Share capital of US$2,000,000	–	100%	100%	100%	Trading of business telephone system
Telefield Technologies Limited [(2)]	Hong Kong 27 November 2007	10,000 ordinary shares of HK$1 each	–	60%	–	–	Trading of global positioning system and car electronic products
Telefield TrekStor S.a.r.l.	Luxembourg 29 October 2009	200 registered shares of EUR125 each	–	–	51%	51%	Investment holding and sub-licensing of trademark
Telefield Universal Limited (Formerly known as Good Creation International Limited)	Hong Kong 2 December 2008	15,600,000 ordinary shares of HK$1 each	–	100%	100%	100%	Investment holding and trading
TrekStor GmbH (Formerly known as Mainsee 646.VV GmbH)	Germany 9 September 2009	Share capital of EUR25,000	–	–	51%	51%	Assembling, marketing and distribution of "TrekStor" branded products such as portable storage devices and multimedia products
TrekStor Limited (Formerly known as Century Joiner Limited)	Hong Kong 8 September 2009	100 ordinary shares of HK$1 each	–	–	51%	51%	Holding of trademark and intellectual property, licensing of trademark
愛康科商貿(深圳)有限公司 Aiko Beauty (Shenzhen) Limited [(4)]	PRC 26 September 2006	Registered capital of HK$1,000,000	100%	100%	100%	100%	Trading of appliances

Name of subsidiary	Place/date of incorporation/ establishment	Issued and paid up capital	Percentage of ownership interest/ voting power/profit sharing				Principal activities
			At 31 December			At 31 August	
			2007	2008	2009	2010	
惠州中慧電子有限公司 Huizhou Telefield Limited (4)	PRC 27 February 2008	Registered capital of HK$15,000,000	–	100%	100%	100%	Manufacture and sale of telecommunications and other products
廣州中慧電子有限公司 Guangzhou Telefield Limited (4)	PRC 27 October 1992	Registered capital of US$7,060,000	100%	100%	100%	100%	Manufacture of telecommunications and other products

(1): This subsidiary was dissolved on 31 July 2010 by way of member's voluntary winding up.

(2): These subsidiaries were disposed of to a related party during the year 2009 as set out in note 35(a) to the Financial Information.

(3): This subsidiary was dissolved on 10 December 2009 by way of member's voluntary winding up.

(4): English names for identification purpose.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Relevant Period, except for those disclosed below, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2010. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations.

HKFRS 3 (revised) Business Combinations and HKAS 27 (revised) Consolidated and Separate Financial Statements (Collectively, the "New Standards") were effective for annual periods beginning on or after 1 July 2009. The earliest financial reporting period for the Group to early adopt the New Standards is the year ended 31 December 2008. The Group has adopted the New Standards since 1 January 2008. Details of HKFRS 3 (revised) and HKAS 27 (revised) is set out in note 4(c) and 4(a) respectively.

For the year ended 31 December 2007, the Group has adopted the former HKFRS 3 and HKAS 27 for the purpose of preparation of this Financial Information. There is no material impact to the Group's financial position as at 31 December 2007 and results for the year ended 31 December 2007 if the New Standards were applied for the same financial period.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRSs issued by HKICPA, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of leasehold land and building and investments which are carried at their fair values.

The preparation of Financial Information in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5 to the Financial Information.

The significant accounting policies applied in the preparation of the Financial Information are set out below.

(a) Consolidation

The Financial Information include the financial statements of the Group made up to 31 December. 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 consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits 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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly, or indirectly, to the Company. Non-controlling interests are presented in the combined statement of financial position and combined statement of changes in equity within equity. Non-controlling interests are presented in the combined income statement and combined statement of comprehensive income as an allocation of profit or loss and total comprehensive income for the period between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

(b) Merger accounting for business combination under common control

Pursuant to the sale and purchase agreement dated 31 December 2009, Telefield Holdings Limited acquired Aiko Products Limited and its subsidiaries (the "Aiko Group") from Vita Health Enterprises Limited (the "Acquisition"). Aiko Group was beneficially owned and jointly controlled by the Controlling Shareholders. The Acquisition was completed on 31 December 2009.

The Aiko Group is principally engaged in trading of electrical appliances, provision of consultancy and agency services.

As Telefield Holdings Limited and the Aiko Group were both controlled by the Controlling Shareholders before and after the Acquisition, the Acquisition was accounted for as a business combination of entities under common control. The financial statements of the enlarged group have been prepared based on the principles and procedures of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Acquisition had occurred from the date when the combining entities first came under the control of Controlling Shareholders.

The combined income statements and statements of comprehensive income and combined statements of cash flows include the results and cash flows of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The combined statements of financial position have been prepared to present the assets and liabilities of the combining entities as if the group structure as at completion date of Acquisition had been in existence at the end of each reporting period. The net assets of the combining entities are combined using the existing book values from the Controlling Shareholders' perspective. No amount is recognised in respect of goodwill or gain on bargain purchase at the time of common control combination, to the extent of the continuation of the Controlling Shareholders' interest.

There was no adjustment made to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

(c) Business combination (other than under common control) and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The cost of acquisition is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the cost of acquisition over the Company's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Company's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Company.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the cost of acquisition to calculate the goodwill.

If the changes in the value of the previously held equity interest in the subsidiary were recognised in other comprehensive income (for example, available-for-sale investment), the amount that was recognised in other comprehensive income is recognised on the same basis as would be required if the previously held equity interest were disposed of.

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 accounting policy (note 4(aa)) below. Impairment losses of goodwill are recognised in consolidated profit or loss 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 non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

(d) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policies of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has significant influence.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate 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 associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's share of the net assets of that associate plus any remaining goodwill relating to that associate and any related accumulated foreign currency translation reserve.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The combined financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(iii) *Translation on consolidation*

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Fixed assets

Land and buildings comprise mainly warehouse and offices. Land and buildings are carried at fair values, based on periodic valuations by external independent valuers, less subsequent depreciation and impairment losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other fixed assets 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 recognised in profit or loss during the period in which they are incurred.

Revaluation increases of land and building are recognised in profit or loss to the extent that the increases reverse revaluation decreases of the same asset previously recognised in profit or loss. All other revaluation increases are credited to the property revaluation reserve as other comprehensive income. Revaluation decreases that offset previous revaluation increases of the same asset remaining in the property revaluation reserve are charged against property revaluation reserve as other comprehensive income. All other decreases are recognised in profit or loss. On the subsequent sale or retirement of a revalued land and buildings, the attributable revaluation increase remaining in the property revaluation reserve is transferred directly to retained profits.

Depreciation of fixed assets is calculated at rates sufficient to write off their cost or revalued amounts over the estimated useful lives on a straight line basis. The principal annual rates are as follows:

Leasehold land and buildings	4%
Leasehold improvements	Over the lease term or 25%
Plant, machinery, moulds and tools	10% – 25%
Furniture and equipment	20%
Motor vehicles	20% – $33^1/_3$%

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

The gain or loss on disposal of fixed assets is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(g) Intangible assets

Trademarks are measured initially at fair value upon business combination and are assessed to have indefinite useful lives. No amortisation should be charged to profit or loss. Useful lives should be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for the trademarks. If they do not, the change in the useful life assessment from indefinite to finite should be accounted for as a change in an accounting estimate.

License rights and customer relationship are measured initially at fair value upon business combination and amortised on straight-line basis over their estimated useful lives less impairment losses. Useful lives of license rights and customer relationship are as follows:

License rights	4.8 years
Customer relationship	6 years

The useful life of customer relationship of six years was estimated by the Company's management team upon business combination, based on their expected successful rate in retaining the acquirees' customers, and the prevailing general practice in the industry in estimating the expected useful life of customer relationship acquired in business combination.

(h) Leases

(i) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets.

(i) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's product development activity is recognised only if all of the following conditions are met:

– An asset is created that can be identified (such as software and new processes);

– It is probable that the asset created will generate future economic benefits; and

– The development cost of the asset can be measured reliably.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over their estimated useful lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure, and where appropriate, subcontracting charges. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

(l) 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 classified as 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 profit or loss.

(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 in other comprehensive income, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

Impairment losses recognised in profit or loss for equity investments classified as available-for-sale financial assets are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale financial assets are subsequently reversed and recognised in profit or loss if an increase in the fair value of the instruments can be objectively related to an event occurring after the recognition of the impairment loss.

(m) 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 receivable's 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 profit or loss.

Impairment losses are reversed in subsequent periods and recognised in profit or loss 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.

(n) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents.

(o) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out from note 4(p) to 4(t) to the Financial Information.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Trade and other payables

Trade and other payables are stated initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held-for-trading and financial liabilities designated upon initial recognition at fair value though profit or loss. Financial liabilities are classified as held-for-trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held-for-trading and those designated at fair value through profit or loss are recognised in profit or loss.

(s) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(t) Derivative financial instruments

Derivatives are initially recognised and subsequently measured at fair value.

Changes in the fair value of derivatives are recognised in profit or loss as they arise.

(u) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from the sales of goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

Interest income is recognised on a time-proportion basis using the effective interest method.

Dividend income is recognised when the shareholders' rights to receive payment are established.

(v) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all eligible employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) *Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detail formal plan which is without realistic possibility of withdrawal.

(w) Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain management employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. The issuance of fully vested equity instruments, or rights to equity instruments, is presumed to relate to past service, requiring the full amount of the grant-date fair value to be expensed immediately.

(x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(y) 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 recognised in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the 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. 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, 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 the reporting period. Deferred tax is recognised in profit or loss, 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.

(z) Related parties

A party is related to the Group if:

(i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives its significant influence over the Group; or has joint control over the Group;

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

(aa) Impairment of assets

Intangible assets that have an indefinite useful life or not yet available for use are reviewed annually for impairment and are reviewed for impairment whenever events or changes in circumstance indicate the carrying amount may not be recoverable.

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets except goodwill, investments, deferred tax assets, inventories and receivables to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(ab) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ac) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Financial Information. Events after the reporting period that are not adjusting events are disclosed when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

(a) Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the Financial Information.

Split of land and building elements

The Group determines that the lease payments cannot be allocated reliably between the land and building elements. Accordingly the entire lease of land and buildings is classified as a finance lease and included under fixed assets.

Legal title of certain intangible assets

The Group has acquired the "TrekStor" trademarks during the year ended 31 December 2009 as set out in note 35(b) to the Financial Information. As at the date of this report, none of the "TrekStor" trademarks have been registered under the Group's name. The Group is entitled to use the "TrekStor" trademarks (German Trademarks Nos. 908224 and 30726432 and the Community Trademarks Nos. 4913661, 3936184 and 6665863) and is entitled to grant sublicenses prior to the settlement of the outstanding purchase price. According to the TrekStor Transfer Agreement, the vendor still retains a lien on the "TrekStor" trademarks (German Trademarks Nos. 908224 and 30726432 and the Community Trademarks Nos. 4913661, 3936184 and 6665863) to secure the outstanding purchase price. Despite the above, the directors determine to recognise these trademarks as intangible assets, on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group is in substance controlling these trademarks.

(b) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period, are discussed below.

Fair value of certain assets, liabilities and equity-settled share-based payment involving valuation technique

During the Group's acquisitions of certain businesses as set out in note 35(b) to the Financial Information, valuation techniques were applied to determine the fair values of the acquired assets, liabilities and contingent liabilities. Furthermore, the fair value of derivative instruments, financial liabilities at fair value through profit or loss and equity-settled share-based payment as set out in note 23, note 31 and note 36 to the Financial Information respectively also involve valuation techniques. When applying valuation techniques, various subjective assumptions and generally accepted methodologies were used to derive the fair values. Any changes in these assumptions can significantly affect the estimate of the fair value of the underlying assets, liabilities and equity-settled share-based payment.

Fixed assets and depreciation

The Group's management determines the estimated useful lives and related depreciation charges for the Group's fixed assets. This estimate is based on the historical experience of the actual useful lives of fixed assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of fixed assets

The Group assesses annually whether fixed assets have any indication of impairment in accordance with the accounting policy. The recoverable amounts of fixed assets have been determined based on value-in-use calculations. These calculation require the use of judgement and estimates.

Intangible assets and amortisation

The Group determines the estimated useful lives and related amortisation for the Group's intangible assets. The useful live of intangible assets are assessed to be either finite or indefinite, based on the expected usage and technical obsolescence from the changes in the market demands or services output from the assets. Intangible assets with finite useful lives are amortised over the expected useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for the intangible assets with a finite useful life are reviewed by the management at least at the end of each reporting period.

Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed.

Impairment of available-for-sale financial assets

The Group determines whether the unlisted equity investment is impaired at least on an annual basis and based on the financial information available from the unlisted equity investment. Details are set out in note 20 to the Financial Information.

Impairment of trade receivables

The Group makes impairment of trade receivables based on assessments of the recoverability of the trade receivables, including the current creditworthiness and/or the past collection history of each debtor. Impairment arises where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debt requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will have impact on the carrying value of the trade and other receivables and doubtful debt expenses in the reporting period in which such estimate has been changed.

Product warranty provision

Product warrant provision of the Group is recognised based on past experience of level of repairs and returns, discounted to their present value as appropriate. Movement of the product warranty provision during the Relevant Period is set out in note 30 to the Financial Information.

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. Should the final assessment of tax authorities were different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions of the Relevant Period.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

The Group has certain exposure to foreign currency risk as part of its business transactions, assets and liabilities are denominated in United States dollar, Euro, Renminbi and Hong Kong dollar.

The following tables detail the Group's major exposure at the end of reporting period to foreign currency risk arising from recognised assets or liabilities denominated in respective foreign currency. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rates at the end of reporting periods.

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Denominated in United States Dollar				
Trade receivables	149,723	152,615	110,315	120,936
Deposits and other receivables	–	4,290	1,419	–
Bank and cash balances	3,975	46,939	36,554	59,713
Trade payables	(36,265)	(40,937)	(37,218)	(47,962)
Accruals and other payables	(12,487)	(21,756)	(24,872)	(9,424)
Bank borrowings	(32,169)	(29,185)	(5,522)	(6,722)
Amounts due from/(to) group companies	–	(6)	38,480	6,097
Total	72,777	111,960	119,156	122,638
Denominated in Renminbi				
Deposits and other receivables	–	–	987	384
Trade payables	(6,039)	(7,965)	(7,555)	(9,631)
Accruals and other payables	–	–	(1,842)	(1,660)
Amounts due from/(to) group companies	(118)	(25,094)	(19,306)	(23,982)
Total	(6,157)	(33,059)	(27,716)	(34,889)

	At 31 December 2007	2008	2009	At 31 August 2010
	HK$'000	HK$'000	HK$'000	HK$'000
Denominated in European Dollar				
Trade receivables	–	–	–	199
Bank and cash balances	3	17	–	15
Trade payables	(653)	(445)	(795)	(908)
Amounts due from/(to) group companies	–	–	33,512	29,432
Total	(650)	(428)	32,717	28,738
Denominated in Hong Kong Dollar				
Bank and cash balances	–	4,066	669	3,002
Amounts due from/(to) group companies	58,247	42,471	51,453	63,645
Total	58,247	46,537	52,122	66,647

The following table indicates the instantaneous change in the Group's profit for the year/period and retained profits that would have been arisen if foreign exchange rates to which the Group has significant exposure at the end of reporting periods had changed at those dates, assuming all other risk variables remained constant.

	At 31 December 2007		2008		2009		At 31 August 2010	
Foreign currency/ functional currency	Increase/ (decrease) in foreign exchange rates	HK$'000	Increase/ (decrease) in foreign exchange rates	HK$'000	Increase/ (decrease) in foreign exchange rates	HK$'000	Increase/ (decrease) in foreign exchange rates	HK$'000
United States Dollar/	1%	667	1%	1,025	1%	1,099	1%	1,299
Hong Kong Dollar	(1)%	(667)	(1)%	(1,025)	(1)%	(1,099)	(1)%	(1,299)
Renminbi/	5%	(2,466)	5%	(3,273)	5%	(3,243)	5%	(3,702)
Hong Kong Dollar	(5)%	2,466	(5)%	3,273	(5)%	3,243	(5)%	3,702
Euro/	10%	(60)	10%	(39)	10%	3,005	10%	2,650
Hong Kong Dollar	(10)%	60	(10)%	39	(10)%	(3,005)	(10)%	(2,650)

During eight months ended 31 August 2010, the Group has used derivative financial instruments to mitigate its risks associated with foreign currency fluctuations. The use of financial derivatives has been closely monitored by directors of the Company. The Group would choose financial institutions with high credit rating as counter party when using derivative financial instruments.

(b) Credit risk

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The carrying amount of the bank and cash balance, derivative financial instruments, trade receivables and other receivables and due from related companies included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

The credit risk on bank and cash balances and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group has certain concentration of credit risk, as the Group's largest three debtors account for 76%, 59%, 48% and 54% of trade receivables as at 31 December 2007, 2008, 2009 and 31 August 2010, respectively.

In order to minimise credit risk, management have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, management reviews the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, management considers that the Group's credit risk is significantly reduced.

(c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The contractual maturity analysis of the Group's financial liabilities is as follows:

	Less than 1 year *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*	**Over 5 years** *HK$'000*
At 31 August 2010				
Trade payables	134,603	–	–	–
Accruals and other payables	111,288	–	–	–
Amounts due to related parties	71	–	–	–
Bank borrowings	70,562	–	–	–
Financial liabilities at fair value through profit or loss	7,397	8,231	12,828	–

	Less than 1 year *HK$'000*	**Between 1 and 2 years** *HK$'000*	**Between 2 and 5 years** *HK$'000*	**Over 5 years** *HK$'000*
At 31 December 2009				
Trade payables	107,116	–	–	–
Accruals and other payables	103,352	–	–	–
Amounts due to related parties	18,255	–	–	–
Bank borrowings	28,591	–	–	–
Financial liabilities at fair value through profit or loss	5,832	7,263	17,086	–

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008				
Trade payables	102,887	–	–	–
Accruals and other payables	71,261	–	–	–
Amounts due to related parties	5,852	–	–	–
Bank borrowings	49,082	–	–	–
Finance lease payables	633	–	–	–

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007				
Trade payables	93,520	–	–	–
Accruals and other payables	46,019	–	–	–
Amounts due to related parties	4,168	–	–	–
Bank borrowings	51,503	–	–	–
Finance lease payables	2,298	637	–	–

Bank borrowings included certain bank loans that were expected by the Group management to be repayable twelve months or more after the end of each reporting period. The maturity analysis in respect of bank borrowings (with interest thereon) provided by the Group management incorporating the above expectation is as follows:

Bank borrowings	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 August 2010	58,497	8,963	4,223	–
At 31 December 2009	20,887	6,166	2,186	–
At 31 December 2008	44,382	3,730	1,627	–
At 31 December 2007	50,469	2,645	250	–

(d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank deposits and bank borrowings. These deposits and borrowings bear interests at variable rates varied with the then prevailing market condition.

As at 31 December 2007, 2008 and 2009 and 31 August 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit for the year/period and retained profits as follows:

Increase/(decrease) in interest rates	**At 31 December 2007**	**2008**	**2009**	**At 31 August 2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
100 basis points	(432)	8	139	(19)
(100) basis points	432	(8)	(139)	19

The sensitivity analysis above indicates the impact on the Group's profit for the year/period and retained profits that would have arisen assuming that there is an annualised impact on interest income and expense by a change in interest rates. The analysis has been performed on the same basis throughout the Relevant Period.

(e) Categories of the Group's financial instruments at end of each reporting period

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets:				
Financial assets at fair value through profit or loss:				
Held for trading	–	–	–	4,022
Loans and receivables (including cash and cash equivalents):				
Trade receivables	150,725	155,828	158,640	156,814
Deposits and other receivables	6,765	12,479	8,518	23,668
Amounts due from related parties	3,412	8,923	15	15
Bank and cash balances	12,627	76,267	68,622	109,020
	173,529	253,497	235,795	293,539
Financial liabilities:				
Financial liabilities at fair value through profit or loss:				
Designated as such upon initial recognition	–	–	27,171	26,245
Financial liabilities at amortised cost:				
Trade payables	93,520	102,887	107,116	134,603
Accruals and other payables	46,019	71,261	103,352	111,288
Amounts due to related parties	4,168	5,852	18,255	71
Bank borrowings	51,503	49,082	28,591	70,562
	195,210	229,082	284,485	342,769

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Disclosures of level in fair value hierarchy at 31 December 2009 and 31 August 2010:

At 31 December 2009

	Fair value measurement using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Liabilities				
Financial liabilities at fair value through profit or loss: Contingent considerations *(note 35(b))*	–	27,171	–	27,171

At 31 August 2010

	Fair value measurement using:			
Description	**Level 1**	**Level 2**	**Level 3**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Assets				
Financial assets at fair value through profit or loss: Derivative instruments	–	4,022	–	4,022
Liabilities				
Financial liabilities at fair value through profit or loss: Contingent considerations *(note 35(b))*	–	26,245	–	26,245

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the combined statements of financial position approximate their respective fair values.

7. REVENUE

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Sales of goods	572,702	863,762	839,798	503,620	703,272
Others	339	81	183	82	150
	573,041	863,843	839,981	503,702	703,422
Net sales return arising from product warranty	(8,989)	(15,351)	(18,083)	(6,908)	(13,881)
	564,052	848,492	821,898	496,794	689,541

8. SEGMENT INFORMATION

The Group has three reportable segments as follows:

EMS	–	Electronic Manufacturing Services
Licensed Brand Business	–	Marketing and distribution of "RCA" branded SMB phone systems in the U.S.A. and Canada
Own Brand Business	–	Assembling, marketing and distribution of "TrekStor" branded products such as portable storage devices and multimedia products in Europe

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the Financial Information. Segment profits or losses do not include impairment loss on available-for-sale financial assets, impairment loss on amounts due from related parties, impairment loss on investment in an associate, reversal of impairment loss on amounts due from related companies, share of loss of an associate and gain on disposal of subsidiaries. Segment assets do not include amounts due from related parties. Segment liabilities do not include amounts due to related parties, bank loans and deferred tax liabilities for general operating purpose. Segment non-current assets do not include investment in an associate, available-for-sale financial assets and deferred tax assets.

The Group accounts for intersegment sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

(a) Information about reportable segment profit or loss, assets and liabilities:

	EMS HK$'000	Licensed Brand Business HK$'000	Own Brand Business HK$'000	Total HK$'000
Eight months ended 31 August 2010				
Revenue from external customers	468,673	104,562	116,306	689,541
Intersegment revenue	62,775	–	–	62,775
Segment profit/(loss)	67,516	2,444	(22,408)	47,552
Interest revenue	16	1	–	17
Interest expense	868	–	1,460	2,328
Depreciation and amortisation	8,242	4,448	453	13,143
Staff costs	79,180	3,681	23,926	106,787
Income tax expense/(credit)	7,522	1,731	(98)	9,155
Additions to segment non-current assets	9,086	22	48	9,156
As at 31 August 2010				
Segment assets	477,723	106,205	63,573	647,501
Segment liabilities	236,422	85,686	63,176	385,284

	EMS HK$'000 (unaudited)	Licensed Brand Business HK$'000 (unaudited)	Own Brand Business HK$'000 (unaudited)	Total HK$'000 (unaudited)
Eight months ended 31 August 2009				
Revenue from external customers	430,249	66,545	–	496,794
Intersegment revenue	47,306	–	–	47,306
Segment profit	61,823	5,486	–	67,309
Interest revenue	32	–	–	32
Interest expense	607	–	–	607
Depreciation and amortisation	7,030	3,297	–	10,327
Staff costs	61,294	2,465	–	63,759
Income tax expense	7,948	2,965	–	10,913
Discount on acquisitions *(note 35(b))*	–	2,436	–	2,436
Additions to segment non-current assets	8,337	35,195	–	43,532
As at 31 August 2009				
Segment assets	357,565	125,412	–	482,977
Segment liabilities	193,617	105,523	–	299,140

	EMS *HK$'000*	Licensed Brand Business *HK$'000*	Own Brand Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2009				
Revenue from external customers	681,876	117,367	22,655	821,898
Intersegment revenue	74,328	–	–	74,328
Segment profit/(loss)	84,328	4,956	(3,341)	85,943
Interest revenue	64	–	–	64
Interest expense	937	–	10	947
Depreciation and amortisation	11,151	5,507	120	16,778
Staff costs	103,306	6,074	10,598	119,978
Income tax expense/(credit)	10,506	2,252	(27)	12,731
Discount on acquisitions *(note 35(b))*	–	2,436	6,574	9,010
Additions to segment non-current assets	16,325	35,463	20,248	72,036
As at 31 December 2009				
Segment assets	378,028	113,781	62,470	554,279
Segment liabilities	194,625	98,085	59,501	352,211

	EMS *HK$'000*	Licensed Brand Business *HK$'000*	Own Brand Business *HK$'000*	Total *HK$'000*
Year ended 31 December 2008				
Revenue from external customers	848,492	–	–	848,492
Segment profit	62,853	–	–	62,853
Interest revenue	247	–	–	247
Interest expense	1,844	–	–	1,844
Depreciation and amortisation	11,845	–	–	11,845
Staff costs	103,171	–	–	103,171
Share of loss of an associate	17	–	–	17
Income tax expense	8,792	–	–	8,792
Impairment loss on available-for-sale financial assets	2,340	–	–	2,340
Impairment loss on amounts due from related companies	450	–	–	450
Additions to segment non-current assets	24,312	–	–	24,312
As at 31 December 2008				
Segment assets	363,968	–	–	363,968
Segment liabilities	195,013	–	–	195,013

	EMS HK$'000	Licensed Brand Business HK$'000	Own Brand Business HK$'000	Total HK$'000
Year ended 31 December 2007				
Revenue from external customers	564,052	–	–	564,052
Segment profit	18,300	–	–	18,300
Interest revenue	526	–	–	526
Interest expense	1,969	–	–	1,969
Depreciation and amortisation	8,989	–	–	8,989
Staff costs	70,736	–	–	70,736
Share of loss of an associate	297	–	–	297
Income tax expense	2,188	–	–	2,188
Additions to segment non-current assets	13,508	–	–	13,508
As at 31 December 2007				
Segment assets	277,511	–	–	277,511
Segment liabilities	145,002	–	–	145,002
Investment in associates	17	–	–	17

(b) Reconciliations of reportable segment revenue, profit or loss, assets and liabilities:

	Year ended 31 December			Eight months ended 31 August	
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2009 HK$'000 (unaudited)	2010 HK$'000
Revenue					
Total revenue of reportable segments	564,052	848,492	896,226	544,100	752,316
Elimination of intersegment revenue	–	–	(74,328)	(47,306)	(62,775)
Consolidated revenue	564,052	848,492	821,898	496,794	689,541

	Year ended 31 December			Eight months ended 31 August	
	2007 HK$'000	2008 HK$'000	2009 HK$'000	2009 HK$'000 (unaudited)	2010 HK$'000
Profit or loss					
Total profit of reportable segments	18,300	62,853	85,943	67,309	47,552
Elimination of intersegment profits	–	–	(2,778)	(3,616)	(2,438)
Unallocated amounts:					
Impairment loss on available-for-sale financial assets	–	(2,340)	–	–	–
Impairment loss on amounts due from related parties	–	(450)	–	–	–
Impairment loss on investment in an associate	(1,462)	–	–	–	–
Reversal of impairment loss on amounts due from related companies	–	–	637	–	–
Share of loss of an associate	(297)	(17)	–	–	–
Gain on disposal of subsidiaries	–	–	1,596	784	–
Consolidated profit before tax	16,541	60,046	85,398	64,477	45,114

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Segment Assets					
Total assets of reportable segments	277,511	363,968	554,279	482,977	647,501
Elimination of intersegment receivables	–	–	(90,399)	(62,362)	(86,018)
Elimination of unrealised profits	–	–	(2,778)	(3,616)	(2,438)
Unallocated amounts:					
Amounts due from related parties *(note 24)*	3,412	8,923	15	11,587	15
Deferred tax assets	–	–	10,520	10,668	8,538
Investment in an associate	17	–	–	–	–
Consolidated total assets	280,940	372,891	471,637	439,254	567,598

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Segment Liabilities					
Total liabilities of reportable segments	145,002	195,013	352,211	299,140	385,284
Elimination of intersegment payables	–	–	(90,399)	(62,362)	(86,018)
Unallocated amounts:					
Amounts due to related parties *(note 27)*	4,168	5,852	18,255	2,224	71
Bank borrowings	51,503	49,082	28,591	26,928	70,562
Finance lease payables	2,817	622	–	–	–
Deferred tax liabilities	1,963	1,923	17,109	14,360	14,986
Consolidated total liabilities	205,453	252,492	325,767	280,290	384,885

(c) Geographical information:

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Revenue					
Americas	196,502	390,418	319,136	194,176	217,587
Europe	90,069	210,971	267,687	162,302	323,048
Asia-Pacific and Japan	277,481	247,103	235,075	140,316	148,906
Consolidated total	564,052	848,492	821,898	496,794	689,541

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Non-current assets					
Americas	–	–	29,956	31,899	25,530
Europe	–	–	19,631	–	17,062
Asia-Pacific and Japan	41,635	51,673	56,742	52,979	57,511
Consolidated total	41,635	51,673	106,329	84,878	100,103

In presenting the geographical information, revenue is based on the locations of the customers.

(d) Revenue from major customers:

An analysis of revenue from major customers which account for over 10 percent or more of the Group's revenue is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
EMS segment					
Customer a	161,714	216,828	N/A	N/A	N/A
Customer b	161,625	139,236	158,526	97,145	94,191
Customer c	78,347	86,680	N/A	N/A	N/A
Customer d	N/A	111,344	N/A	65,004	N/A
Customer e	N/A	104,981	235,882	138,273	228,389
Own Brand Business segment					
Customer f	N/A	N/A	N/A	N/A	85,973

9. OTHER INCOME

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Bank interest income	526	247	64	32	17
Discount on acquisitions *(note 35(b))*	–	–	9,010	2,436	–
Gains on derivative instruments	–	–	–	–	2,453
Fair value gain on derivative instruments	–	–	–	–	1,027
Reversal of allowance for receivables, net *(note 22)*	–	–	–	223	204
Sales of scrap materials	1,070	1,625	1,184	–	61
Others	4,040	1,947	2,113	1,939	2,100
	5,636	3,819	12,371	4,630	5,862

The discount on acquisitions represent non-recurring gain of bargain purchase arising on business combinations as set out in note 35(b) to the Financial Information.

10. FINANCE COSTS

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Bank overdraft interest	–	11	5	–	–
Bank loans interest	440	407	556	349	789
Finance lease interest	291	98	11	11	–
Interest on import/export loans	1,018	991	355	235	230
Interest on factoring loans	220	337	20	12	1,309
	1,969	1,844	947	607	2,328

11. INCOME TAX EXPENSE

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(unaudited)	
Current tax – Hong Kong Profits Tax					
Provision for the year	1,123	5,880	10,918	9,174	5,499
Under/(over)-provision in prior years	27	266	(20)	(20)	–
	1,150	6,146	10,898	9,154	5,499
Current tax – Overseas					
Provision for the year	829	2,728	2,257	1,546	3,395
(Over)/under-provision in prior years	–	(42)	–	–	16
	829	2,686	2,257	1,546	3,411
Deferred tax *(note 32)*	209	(40)	(424)	213	245
	2,188	8,792	12,731	10,913	9,155

Hong Kong Profits Tax has been provided at a rate of 17.5% based on the estimated assessable profit for the year ended 31 December 2007. Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit for the years ended 31 December 2008 and 2009.

Hong Kong Profits Tax has been provided at a rate of 16.5% based on the estimated assessable profit for the eight months ended 31 August 2009 and 2010.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax expense and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Profit before tax	16,541	60,046	85,398	64,477	45,114
Hong Kong Profits Tax rate	17.5%	16.5%	16.5%	16.5%	16.5%
Tax at the domestic income tax rate	2,895	9,908	14,091	10,639	7,444
Tax effect of income that is not taxable	(88)	(79)	(1,809)	(99)	(763)
Tax effect of expenses that are not deductible	1,331	2,891	6,781	5,432	2,319
Tax effect of temporary differences not recognised	(1,140)	(329)	342	372	347
Tax effect of offshore profits that are not taxable	(1,135)	(5,280)	(9,079)	(6,990)	(5,513)
Under/(over)-provision in prior years	27	224	(20)	(20)	16
Tax effect of unused tax losses not recognised	18	860	2,266	662	3,188
Effect of different tax rates of subsidiaries	280	597	159	917	2,117
Income tax expense	2,188	8,792	12,731	10,913	9,155

12. PROFIT FOR THE YEAR/PERIOD

The Group's profit for the year/period is stated after charging/(crediting) the following:

	Year ended 31 December			Eight months ended 31 August	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* (unaudited)	*HK$'000*
Impairment loss on available-for-sale financial assets	–	2,340	–	–	–
Impairment loss on amounts due from related companies	–	450	–	–	–
Impairment loss on investment in an associate	1,462	–	–	–	–
Reversal of impairment loss on amounts due from related companies	–	–	(637)	–	–
Amortisation of intangible assets (included in selling and distribution expenses)	–	–	5,564	3,278	4,729
Auditor's remuneration	241	412	801	56	488
Allowance for receivables, net *(note 22)*	1,740	913	239	–	–
Reversal of allowance for receivables, net *(note 22)*	–	–	–	(223)	(204)
Cost of goods sold *(Note (i))*					
Cost of inventories sold	497,462	711,245	634,472	383,825	537,920
Allowance for inventories	8,286	7,170	10,077	–	7,450
Reversal of allowance for inventories *(Note (ii))*	(7,951)	(6,253)	(10,383)	(3,150)	(8,294)
	497,797	712,162	634,166	380,675	537,076
Depreciation	8,989	11,845	11,214	7,049	8,414
Directors' emoluments					
As directors	–	–	–	–	–
For management	5,339	8,478	8,800	4,179	4,373
	5,339	8,478	8,800	4,179	4,373
Research and development expenditure *(Note (iii))*	10,997	17,129	18,816	9,392	11,930
Exchange losses, net	516	2,777	998	2,033	3,498
Fair value gain on derivative instruments	–	–	–	–	(1,027)
Fair value loss on financial liabilities at fair value through profit or loss	–	–	711	711	2,689
Loss on disposal of fixed assets	–	1,664	2,294	–	7
Operating lease charges					
Land and buildings	5,027	7,588	9,316	5,867	7,653
Staff costs including directors' emoluments					
Salaries, bonus and allowances	66,059	96,155	109,836	59,697	102,044
Equity-settled share-based payments (included in other operating expenses)	–	–	2,738	–	–
Retirement benefit scheme contributions	4,677	7,016	7,404	4,062	4,743
	70,736	103,171	119,978	63,759	106,787

Notes:

(i) During the years ended 31 December 2007, 2008 and 2009 and eight months ended 31 August 2010, cost of goods sold includes approximately HK$48,216,000, HK$70,951,000, HK$66,079,000 and HK$60,501,000 respectively relating to staff costs and depreciation, amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) The Group make allowance for raw materials aged more than 9 months. The reversal of such allowance represent the amount of raw materials subsequently used in production.

(iii) During the years ended 31 December 2007, 2008 and 2009 and eight months ended 31 August 2010, research and development includes approximately HK$9,815,000, HK$13,967,000, HK$16,184,000 and HK$10,773,000 respectively relating to staff costs, amounts of which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

13. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

The emoluments of each of the Company's director were as follows:

Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefit contributions scheme	Discretionary bonus	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Eight months ended 31 August 2010					
Mr. Cheng Han Ngok, Steve	–	1,482	68	–	1,550
Mr. Lee Kai Bon	–	716	33	–	749
Mr. Ng Kim Yuen	–	823	38	–	861
Mr. Poon Ka Lee, Barry	–	564	8	–	572
Madam Fok Pui Yin	–	613	28	–	641
Total	–	4,198	175	–	4,373
Eight months ended 31 August 2009 (unaudited)					
Mr. Cheng Han Ngok, Steve	–	1,466	68	–	1,534
Mr. Lee Kai Bon	–	644	29	–	673
Mr. Ng Kim Yuen	–	770	35	–	805
Mr. Poon Ka Lee, Barry	–	640	8	–	648
Madam Fok Pui Yin	–	496	23	–	519
Total	–	4,016	163	–	4,179
Year ended 31 December 2009					
Mr. Cheng Han Ngok, Steve	–	2,335	102	1,000	3,437
Mr. Lee Kai Bon	–	1,064	46	345	1,455
Mr. Ng Kim Yuen	–	1,253	54	410	1,717
Mr. Poon Ka Lee, Barry	–	745	7	220	972
Madam Fok Pui Yin	–	838	36	345	1,219
Total	–	6,235	245	2,320	8,800

Name of director	Fees	Salaries, allowances and benefits in kind	Retirement benefit contributions scheme	Discretionary bonus	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2008					
Mr. Cheng Han Ngok, Steve	–	2,154	99	1,838	4,091
Mr. Lee Kai Bon	–	1,012	43	482	1,537
Mr. Ng Kim Yuen	–	1,166	49	539	1,754
Mr. Poon Ka Lee, Barry	–	–	–	237	237
Madam Fok Pui Yin	–	438	16	405	859
Total	–	4,770	207	3,501	8,478
Year ended 31 December 2007					
Mr. Cheng Han Ngok, Steve	–	2,066	95	523	2,684
Mr. Lee Kai Bon	–	972	41	114	1,127
Mr. Ng Kim Yuen	–	1,099	46	197	1,342
Mr. Poon Ka Lee, Barry	–	–	–	–	–
Madam Fok Pui Yin	–	50	–	136	186
Total	–	4,187	182	970	5,339

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Period.

(b) Five highest paid individuals' remuneration

The five highest paid individuals in the Group during the year included 3, 3, 4 and 1 directors for the years ended 31 December 2007, 2008, 2009 and eight months ended 31 August 2010 respectively. Details of those emoluments have been disclosed above. Details of the remuneration of the remaining highest paid individuals during the Relevant Period are set out below:

	Year ended 31 December			Eight months ended 31 August	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Salaries and allowances	1,305	1,270	1,110	1,432	4,004
Discretionary bonus	38	160	81	–	–
Retirement benefit scheme contributions	41	23	12	8	129
	1,384	1,453	1,203	1,440	4,133

The number of highest paid individuals whose remuneration fell within the following band is as follows:

	Year ended 31 December			Eight months ended 31 August	
	2007	2008	2009	2009	2010
				(unaudited)	
Nil to HK$1,000,000	2	2	–	2	2
HK$1,000,001 to HK$1,500,000	–	–	1	–	2

No remunerations were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Period.

14. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the MPF Scheme were held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees were each required to make contributions to the scheme at rate specified in the rules. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

Eligible employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

The subsidiaries of the Group incorporated in the U.S.A. and Germany make monthly contribution to the social security fund managed by respective relevant authorities, which undertake the retirement obligations of the Group's employees in the U.S.A. and Germany. The Group has no obligation for payment of retirement benefits beyond the monthly contributions. The contributions payable are charged as an expense to the combined income statements as and when incurred.

15. DIVIDENDS

		Year ended 31 December			Eight months ended 31 August	
		2007	2008	2009	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
					(unaudited)	
Proposed final	*(a)*	10,000	19,000	–	–	–
Interim	*(b)*	–	–	33,500	15,000	–
		10,000	19,000	33,500	15,000	–

(a) A final dividend of HK$24.39 per ordinary share of Telefield Holdings Limited was proposed for the year ended 31 December 2007 and was paid to its then shareholder in 2008. A final dividend of HK$46.34 per ordinary share of Telefield Holdings Limited was proposed for the year ended 31 December 2008 and was paid to its then shareholder in 2009.

(b) The first interim dividend for 2009 of HK$36.59 per ordinary share of Telefield Holdings Limited, totaling HK$15,000,000 was declared and distributed to its then shareholder in 2009. The second interim dividend for 2009 of HK$45.12 per ordinary share of Telefield Holdings Limited, totaling HK$18,500,000 was declared in 2009 and subsequently paid in 2010.

16. EARNINGS PER SHARE

The calculation of basic earnings per share attributable to the owners of the Company for the Relevant Period is based on the combined profit attributable to the owners of the Company for each of the Relevant Period and 400,000,000 shares as if the total number of shares just after the completion of placing and public offering had been in issue throughout the Relevant Period.

No diluted earnings per share are presented as the Company did not have any dilutive potential ordinary shares during the Relevant Period.

17. FIXED ASSETS

Group

	Land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Plant, machinery, moulds and tools *HK$'000*	Furniture and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation						
At 1 January 2007	8,300	7,429	78,365	5,979	319	100,392
Additions	–	998	11,013	1,064	433	13,508
Exchange differences	–	353	3,245	198	20	3,816
At 31 December 2007 and 1 January 2008	8,300	8,780	92,623	7,241	772	117,716
Additions	–	3,443	18,963	1,154	752	24,312
Elimination of accumulated depreciation	(664)	–	–	–	–	(664)
Surplus on revaluation	64	–	–	–	–	64
Disposals	–	(1,359)	(13,747)	(628)	(351)	(16,085)
Exchange differences	–	413	2,944	208	25	3,590
At 31 December 2008 and 1 January 2009	7,700	11,277	100,783	7,975	1,198	128,933
Business combination *(note 35(b))*	–	–	–	570	–	570
Additions	–	1,303	14,231	1,057	212	16,803
Elimination of accumulated depreciation	(308)	–	–	–	–	(308)
Surplus on revaluation	2,508	–	–	–	–	2,508
Disposals	–	(7,013)	(20,318)	(2,054)	–	(29,385)
Disposal of subsidiary	–	–	(340)	(100)	–	(440)
Exchange differences	–	–	–	(13)	–	(13)
At 31 December 2009 and 1 January 2010	9,900	5,567	94,356	7,435	1,410	118,668
Additions	–	2,626	5,447	1,083	–	9,156
Disposals	–	–	–	–	(100)	(100)
Exchange differences	–	–	–	(73)	–	(73)
At 31 August 2010	9,900	8,193	99,803	8,445	1,310	127,651

	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant, machinery, moulds and tools HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Accumulated depreciation						
At 1 January 2007	–	6,339	52,809	4,266	264	63,678
Charge for the year	332	830	6,826	914	87	8,989
Exchange differences	–	326	2,940	128	20	3,414
At 31 December 2007 and 1 January 2008	332	7,495	62,575	5,308	371	76,081
Charge for the year	332	635	9,774	779	325	11,845
Elimination on revaluation	(664)	–	–	–	–	(664)
Written back on disposal	–	(1,152)	(11,253)	(376)	(316)	(13,097)
Exchange differences	–	309	2,640	131	15	3,095
At 31 December 2008 and 1 January 2009	–	7,287	63,736	5,842	395	77,260
Charge for the year	308	1,280	8,426	781	419	11,214
Elimination on revaluation	(308)	–	–	–	–	(308)
Written back on disposal	–	(5,962)	(19,868)	(1,235)	–	(27,065)
Disposal of subsidiary	–	–	(112)	(34)	–	(146)
Exchange differences	–	–	–	–	–	–
At 31 December 2009 and 1 January 2010	–	2,605	52,182	5,354	814	60,955
Charge for the period	264	635	6,802	475	238	8,414
Written back on disposal	–	–	–	–	(25)	(25)
Exchange differences	–	–	–	(7)	–	(7)
At 31 August 2010	264	3,240	58,984	5,822	1,027	69,337
Carrying amount						
At 31 August 2010	9,636	4,953	40,819	2,623	283	58,314
At 31 December 2009	9,900	2,962	42,174	2,081	596	57,713
At 31 December 2008	7,700	3,990	37,047	2,133	803	51,673
At 31 December 2007	7,968	1,285	30,048	1,933	401	41,635

The analysis of the cost or valuation at 31 August 2010 of the above assets is as follows:

	Land and buildings	Leasehold improvements	Plant, machinery, moulds and tools	Furniture and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At cost	–	8,193	99,803	8,445	1,310	117,751
At valuation	9,900	–	–	–	–	9,900
	9,900	8,193	99,803	8,445	1,310	127,651

The analysis of the cost or valuation at 31 December 2009 of the above assets is as follows:

At cost	–	5,567	94,356	7,435	1,410	108,768
At valuation	9,900	–	–	–	–	9,900
	9,900	5,567	94,356	7,435	1,410	118,668

The analysis of the cost or valuation at 31 December 2008 of the above assets is as follows:

At cost	–	11,277	100,783	7,975	1,198	121,233
At valuation	7,700	–	–	–	–	7,700
	7,700	11,277	100,783	7,975	1,198	128,933

The analysis of the cost or valuation at 31 December 2007 of the above assets is as follows:

At cost	–	8,780	92,623	7,241	772	109,416
At valuation	8,300	–	–	–	–	8,300
	8,300	8,780	92,623	7,241	772	117,716

The Group's land and buildings are situated in Hong Kong and are held under medium term leases.

The Group's land and buildings were revalued at 31 December 2008 and 2009 on the open market value basis by reference to market evidence of recent transactions for similar properties by Colliers International (HK) Limited, an independent firm of professional valuers.

The carrying amount of land and buildings at 31 December 2007, 2008, 2009 and 31 August 2010 would have been approximately HK$5,886,000, HK$5,552,000, HK$5,218,000 and HK$4,995,000 had they been stated at cost less accumulated depreciation and impairment losses respectively.

The carrying amount of plant and machinery held by the Group under finance leases amounted to approximately HK$5,489,000, HK$4,799,000, HK$Nil and HK$Nil at 31 December 2007, 2008, 2009 and 31 August 2010 respectively.

18. INTANGIBLE ASSETS

Group

	Trademarks *HK$'000*	Licence rights *HK$'000*	Customer relationship *HK$'000*	Total *HK$'000*
Cost				
At 1 January 2009	–	–	–	–
Business combination	16,013	21,361	17,289	54,663
Exchange differences	(397)	–	(89)	(486)
At 31 December 2009 and 1 January 2010	15,616	21,361	17,200	54,177
Exchange differences	(1,734)	–	(388)	(2,122)
At 31 August 2010	13,882	21,361	16,812	52,055
Accumulated amortisation				
At 1 January 2009	–	–	–	–
Amortisation for the year	–	3,560	2,004	5,564
Exchange differences	–	–	(3)	(3)
At 31 December 2009 and 1 January 2010	–	3,560	2,001	5,561
Amortisation for the period	–	2,848	1,881	4,729
Exchange differences	–	–	(24)	(24)
At 31 August 2010	–	6,408	3,858	10,266
Carrying amount				
At 31 August 2010	13,882	14,953	12,954	41,789
At 31 December 2009	15,616	17,801	15,199	48,616

All the intangible assets above have been acquired by the Group in business combinations (note 35(b)) occurred during the year 2009.

The Group's trademarks protect the design and specification of the Group's "TrekStor" trade logo, and were assessed to have indefinite useful lives. (Note 5(a))

License rights represent the right to use the "RCA" trademark in trading of certain manufactured business phones in the United States and Canada. The amortisation period of the license rights is 4.8 years.

Customer relationship represents the future economic benefit to the Group arising from regular contact between individual customer and the business entity before business combination. The amortising period of customer relationship is 6 years.

19. INVESTMENT IN AN ASSOCIATE

Group

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Unlisted investments in Hong Kong:			
Share of net assets	17	–	N/A
Goodwill	1,462	1,462	N/A
	1,479	1,462	N/A
Impairment losses	(1,462)	(1,462)	N/A
	17	–	N/A

Details of the Group's associate at 31 December 2007 and 2008 are as follows:

Name	**Place of incorporation/ registration**	**Issued and paid up capital**	**Percentage of ownership interest/voting power/profit sharing**	**Principal activities**
Colisa Limited	Hong Kong	Issued and fully paid capital of HK$252,960	30%	Research, design and development of medical devices

The 30% equity interest in Colisa Limited was disposed of to a fellow subsidiary, in which Mr. Cheng Han Ngok, Steve, Mr. Lee Kai Bon, Mr. Ng Kim Yuen, Mr. Poon Ka Lee, Barry and Madam Fok Pui Yin have beneficial interests, on 30 December 2009.

Summarised financial information in respect of the Group's associate is set out below:

	At 31 December		
	2007	**2008**	**2009**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	342	44	N/A
Total liabilities	(295)	(1,035)	N/A
Net assets	47	(991)	N/A
Group's share of associate's net assets	17	–	N/A

	For the year ended 31 December		
	2007	2008	2009
	HK$'000	*HK$'000*	*HK$'000*
Total revenue	9	18	30
Total loss for the year	(1,826)	(1,038)	(52)
Group's share of loss of associate for the year – recognised in combined income statement	(297)	(17)	Nil
– not recognised in combined income statements	Nil	(295)	(16)
Group's share of accumulated losses of associate not recognised in combined income statements	Nil	(295)	(311)

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Group

	At 31 December			As at 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Unlisted equity securities, at cost	2,000	4,340	4,340	4,340
Less: Impairment loss	(2,000)	(4,340)	(4,340)	(4,340)
	–	–	–	–

The Group has 11.46% equity interest in Ades Technology Limited which is a private limited company incorporated in Hong Kong at 31 December 2007, 2008, 2009 and 31 August 2010.

The Group has 2.19%, 2.10% and 2.10% equity interest in Touch Media International Holdings, which is a private company incorporated in the Cayman Islands at 31 December 2008, 2009 and 31 August 2010 respectively.

21. INVENTORIES

Group

	At 31 December 2007 HK$'000	At 31 December 2008 HK$'000	At 31 December 2009 HK$'000	As at 31 August 2010 HK$'000
Raw materials	32,755	37,185	51,535	68,006
Work in progress	21,983	13,848	14,077	32,865
Finished goods	10,611	6,640	39,153	47,512
Goods in transit	–	8,561	8,041	7,565
	65,349	66,234	112,806	155,948

22. TRADE RECEIVABLES

The Group's trading terms with other customers are mainly on credit. During the Relevant Period, the credit terms generally range from 30 to 180 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

The Group's aging analysis of trade receivables, based on invoice date, and net of allowance, is as follows:

	At 31 December 2007 HK$'000	At 31 December 2008 HK$'000	At 31 December 2009 HK$'000	At 31 August 2010 HK$'000
0 to 90 days	139,167	137,738	157,438	146,905
91 to 180 days	11,558	18,090	1,202	3,741
181 to 365 days	–	–	–	6,167
Over 365 days	–	–	–	1
	150,725	155,828	158,640	156,814

As at 31 December 2007, 2008 and 2009 and 31 August 2010, trade receivables of HK$44.9 million, HK$30.0 million, HK$Nil and HK$Nil were pledged to a bank to secure factoring loan facilities as set out in note 28 to the Financial Information.

Reconciliation of allowance for trade receivables during the Relevant Period is set out below:

	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At beginning of reporting period	–	1,740	2,653	2,892
Allowance for the year/period	1,740	1,247	462	–
Reversal	–	(334)	(223)	(204)
At end of reporting period	1,740	2,653	2,892	2,688

As at 31 December 2007, 2008 and 2009 and 31 August 2010, trade receivables of approximately HK$30,641,000, HK$25,353,000, HK$23,894,000 and HK$40,803,000 were past due but not impaired. These relate to a number of independent customers. An aging analysis of these trade receivables is as follows:

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Up to 3 months	29,993	24,364	22,750	35,109
Over 3 months	648	989	1,144	5,694
	30,641	25,353	23,894	40,803

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollars	150,689	152,615	134,514	142,425
Hong Kong dollars	36	219	44	68
Renminbi	–	2,994	2,843	4,212
Euro	–	–	19,860	9,328
Others	–	–	1,379	781
Total	150,725	155,828	158,640	156,814

23. DERIVATIVE INSTRUMENTS

	At 31 August 2010
	HK$'000
Currency option, at fair value	4,022

The Group utilises the currency option to mitigate currency exposure of loan to subsidiary denominated in foreign currency. The currency option enabled the Group to have short position in Euro and long position in USD. The contract amount of the option is USD4,320,000.

At 31 August 2010, the fair value of the Group's currency option is estimated to be approximately HK$4,022,000. The currency option is recognised at purchase cost and is measured at its fair value at the end of each reporting period subsequently. The fair value is estimated using Black-Scholes Options Pricing Model and is based on the valuation performed by Grant Sherman Appraisal Limited, an independent firm of professional valuer. The key assumptions used is as follows:

	At 31 August 2010
Spot exchange rate (Euro/USD)	1.27
Strike exchange rate (Euro/USD)	1.44
Expected volatility	13.75%
Time to expiration	0.35 years
Euro risk free rate	0.56%
USD risk free rate	0.23%

24. AMOUNTS DUE FROM RELATED PARTIES

Group

		At 31 December			At 31 August
		2007	2008	2009	2010
	Note	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due from Dragon Fortune	*(a)*	2,944	8,836	–	–
Due from a fellow subsidiary	*(a)*	45	–	–	–
Due from an associate	*(a)*	–	38	–	–
Due from related companies	*(b)*	423	25	15	15
Due from a director	*(c)*	–	24	–	–
		3,412	8,923	15	15

(a) The amounts due from Dragon Fortune, a fellow subsidiary and an associate are unsecured, interest-free and have no fixed repayment terms.

(b) Amounts due from related companies disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Name of directors having beneficial interest	At 1 January 2007	At 31 December 2007	At 31 December 2008	At 31 December 2009	At 31 August 2010	Maximum amount outstanding during the year/period ended 31 December 2007	31 December 2008	31 December 2009	31 August 2010
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cyber Team Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	–	331	–	–	–	651	637	–	–
Asia Pacific Information Network Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	–	75	–	–	–	75	75	–	–
Vita Health Enterprise Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	17	17	25	15	15	17	25	25	15
		17	423	25	15	15				

The amounts due from related companies are unsecured, interest free and has no specific repayment terms.

(c) Amount due from a director disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name	Terms of loan	At 1 January 2007	At 31 December 2007	At 31 December 2008	At 31 December 2009	At 31 August 2010	Maximum amount outstanding during the year/period ended 31 December 2007	31 December 2008	31 December 2009	31 August 2010
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Cheng Han Ngok, Steve	Unsecured, repayable on demand and interest-free	–	–	24	–	–	–	152	83	–

25. BANK AND CASH BALANCES

The Group's cash and cash equivalent are as follows:

		At 31 December		At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cash on hand	335	594	207	126
Cash at bank	12,292	75,673	68,415	108,894
Cash and cash equivalents in the combined cash flow statements	12,627	76,267	68,622	109,020

The Group's bank and cash balances are denominated in the following currencies:

		At 31 December		At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar	3,770	46,939	40,392	60,966
Hong Kong dollar	5,555	21,989	21,202	39,860
Renminbi	3,295	7,318	4,604	6,273
Euro	3	17	2,419	1,919
Others	4	4	5	2
	12,627	76,267	68,622	109,020

Conversion of Renminbi into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

26. TRADE PAYABLES

The aging analysis of the Group's trade payables, based on invoice date, is as follows:

		At 31 December		At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0 – 90 days	92,043	98,827	103,744	125,580
91 – 180 days	1,005	3,017	2,577	7,143
181 – 365 days	215	612	–	729
Over 365 days	257	431	795	1,151
	93,520	102,887	107,116	134,603

The carrying amounts of the Group's trade payables are denominated in the following currencies:

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United States dollar	36,265	40,937	37,218	47,962
Hong Kong dollar	50,291	53,086	59,148	69,882
Renminbi	6,155	8,410	9,563	14,749
Euro	653	445	1,185	2,010
Others	156	9	2	–
Total	93,520	102,887	107,116	134,603

27. AMOUNTS DUE TO RELATED PARTIES

Group

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Due to related companies	4,153	4,856	–	–
Due to a director	15	498	–	17
Due to a fellow subsidiary	–	–	–	54
Due to Dragon Fortune	–	–	18,255	–
Due to non-controlling interest shareholder	–	498	–	–
	4,168	5,852	18,255	71

The amounts due to a director, related companies, a fellow subsidiary, Dragon Fortune and non-controlling interest shareholder are unsecured, interest-free and have no fixed repayment terms.

28. BANK BORROWINGS

Group

	At 31 December			At 31 August
	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Bank loans	5,799	11,073	16,146	60,918
Import/export loans	26,485	15,599	12,445	9,644
Factoring loans	19,219	22,410	–	–
	51,503	49,082	28,591	70,562

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	Hong Kong dollar	United States dollar	Euro	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 August 2010				
Bank loans	41,582	–	19,336	60,918
Import/export loans	2,922	6,722	–	9,644
	44,504	6,722	19,336	70,562

	Hong Kong dollar	United States dollar	Euro	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2009				
Bank loans	16,146	–	–	16,146
Import/export loans	6,923	5,522	–	12,445
	23,069	5,522	–	28,591

	Hong Kong dollar	United States dollar	Euro	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2008				
Bank loans	11,073	–	–	11,073
Import/export loans	8,824	6,775	–	15,599
Factoring loans	–	22,410	–	22,410
	19,897	29,185	–	49,082

	Hong Kong dollar	United States dollar	Euro	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2007				
Bank loans	5,799	–	–	5,799
Import/export loans	13,535	12,950	–	26,485
Factoring loans	–	19,219	–	19,219
	19,334	32,169	–	51,503

The average interest rates at the end of each reporting period were as follows:

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
Bank loans	6.0%	4.4%	3.1%	3.0%
Import/export loans	6.1%	4.5%	2.8%	2.9%
Factoring loans	5.5%	1.7%	N/A	N/A

All bank borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

As at the end of each reporting period, the Group's bank borrowings were secured by the followings:

(i) Corporate guarantee of Telefield Holdings Limited;

(ii) Corporate guarantee of Telefield Limited and Telefield Medical Devices Limited as at 31 August 2010;

(iii) Personal guarantee of a director of the Group;

(iv) Government guarantee of the Hong Kong Special Administrative Region up to HK$7.2 million as at 31 December 2009 and 31 August 2010; and

(v) Certain sets of machinery with carrying amount of approximately HK$5.5 million, HK$4.8 million as at 31 December 2007 and 2008 respectively.

During eight months ended 31 August 2010, the Group has breached certain covenant clauses of a bank loan agreement in relation to the maintenance of the net leverage ratio and consolidated tangible net worth of the Group (note 33). As a result, the bank loan of approximately HK$16.7 million is subject to an early repayment option by the bank. Such bank loan is reclassified as current liability as at 31 August 2010. On 7 July 2010, the bank agreed to waive the breach of convents covering the period from 27 January 2010 to 31 August 2010 retrospectively. Subsequently, the bank loan was fully repaid on 8 September 2010.

29. FINANCE LEASE PAYABLES

Group

	Minimum lease payments				Present value of minimum lease payments			
	At 31 December			At 31 August	At 31 December			At 31 August
	2007	2008	2009	2010	2007	2008	2009	2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	2,298	633	–	–	2,195	622	–	–
In the second to fifth years, inclusive	637	–	–	–	622	–	–	–
	2,935	633	–	–	2,817	622	–	–
Less: Future finance charges	(118)	(11)	–	–	N/A	N/A	N/A	N/A
Present value of lease obligations	2,817	622	–	–	2,817	622	–	–
Less: Amount due for settlement within 12 months (shown under current liabilities)					(2,195)	(622)	–	–
Amount due for settlement after 12 months					622	–	–	–

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average lease term is 3 years. The average effective borrowing rates were 6.63%, 4.75% at 31 December 2007 and 2008 respectively. All finance lease payables are arranged at floating rates thus expose the Group to cash flow interest rate risk and no arrangements have been entered into for contingent rental payments.

All finance lease payables are denominated in Hong Kong dollars and were secured by the same as disclosed under note 28(i), (iii) and (v) (bank borrowings) to the Financial Information.

30. PRODUCT WARRANTY PROVISION

The movement in the Group's product warranty provision are analysed as follows:

	Year ended 31 December			Eight months ended 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January	2,448	4,103	12,836	12,968
Provision arising from business combinations *(note 35(b))*	–	–	8,149	–
Provision used	(2,135)	(2,139)	(16,709)	(10,449)
Unused provision reversed	(313)	(1,964)	(4,276)	(1,075)
Additional provision	4,103	12,836	13,087	10,897
Exchange differences	–	–	(119)	(437)
At 31 December/ 31 August	4,103	12,836	12,968	11,904

The Group has committed to repurchase its products from or offer replacement of its products to certain distributors when these distributors receive returned goods from unsatisfied ultimate consumers. Such kind of provision for product warranties granted by the Group are recognised base on past experience of level of repairs and returns, discounted to their present value as appropriate.

Surge in provision made in 2008 mainly because of (1) special provision of approximately HK$5 million for the additional possible product return in US market resulted from the subprime mortgage crisis; and (2) quality provision of approximately HK$4.9 million for a specific product model. Besides, upon business combination of Licensed Brand Business in early 2009, approximately HK$8.1 million of provision was acquired. Most of the abovementioned provisions have been utilitised in 2009.

After the business combinations (note 35(b)) in 2009, additional product warranty provision of HK$6.9 million and HK$4.2 million were made for the Licensed Brand Business and Own Brand Business respectively.

31. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group has acquired two businesses as set out in note 35(b) during the year ended 31 December 2009. Part of the considerations were contingent considerations and had been valued at fair value upon completion of respective acquisitions. Details of the contingent considerations are as follows:

	Licensed Brand Business	Own Brand Business	Total
	HK$'000	*HK$'000*	*HK$'000*
Upon acquisition, at fair value	29,295	1,988	31,283
Settlement during the period	(4,774)	–	(4,774)
Change of fair value during the period	711	–	711
Exchange differences	–	(49)	(49)
At 31 December 2009	25,232	1,939	27,171
Settlement during the period	(3,326)	–	(3,326)
Change of fair value during the period	704	1,985	2,689
Exchange differences	–	(289)	(289)
At 31 August 2010	22,610	3,635	26,245
At 31 December 2009			
Current liabilities	5,692	–	5,692
Non-current liabilities	19,540	1,939	21,479
	25,232	1,939	27,171
At 31 August 2010			
Current liabilities	7,221	–	7,221
Non-current liabilities	15,389	3,635	19,024
	22,610	3,635	26,245

The contingent consideration for Licensed Brand Business is based on certain percentage of net sales of Telefield NA Inc. for the calendar year 2009 to 2013 with annual minimum guaranteed amount increased progressively throughout the five calendar years.

The contingent consideration for Own Brand Business is based on 20% of accumulated consolidated taxable profit of TrekStor GmbH and TrekStor Limited for the five years after acquisition or 10% of yearly consolidated taxable profit of TrekStor GmbH and TrekStor Limited for the five years after acquisition, whichever is higher. The total contingent consideration for Own Brand Business is capped at EUR500,000.

The fair values of both contingent considerations at date of acquisitions, 31 December 2009 and 31 August 2010 are based on valuation results of Grant Sherman Appraisal Limited, an independent firm of professional valuer. The discount rates used in the valuations of the branded businesses were as follows:

	At date of acquisitions	At 31 December 2009	At 31 August 2010
Licensed Brand Business	5.0%	5.0%	5.0%
Own Brand Business	3.8%	3.8%	2.7%

32. DEFERRED TAX

Group

	Accelerated tax depreciation *HK$'000*	Valuation of intangible assets *HK$'000*	Valuation of contingent considerations *HK$'000*	Others *HK$'000*	Total *HK$'000*
At 1 January 2007	(1,754)	–	–	–	(1,754)
Credit/(charge) to profit or loss for the year *(note 11)* – origination and reversal of temporary differences	(209)	–	–	–	(209)
Exchange differences	–	–	–	–	–
At 31 December 2007 and 1 January 2008	(1,963)	–	–	–	(1,963)
Credit/(charge) to profit or loss for the year *(note 11)* – origination and reversal of temporary differences	40	–	–	–	40
Exchange differences	–	–	–	–	–
At 31 December 2008 and 1 January 2009	(1,923)	–	–	–	(1,923)
Business combinations *(note 35(b))*	–	(17,296)	11,286	831	(5,179)
Credit/(charge) to profit or loss for the year *(note 11)* – origination and reversal of temporary differences	(137)	2,158	(1,108)	(489)	424
Exchange differences	–	89	–	–	89
At 31 December 2009 and 1 January 2010	(2,060)	(15,049)	10,178	342	(6,589)
Credit/(charge) to profit or loss for the period *(note 11)* – origination and reversal of temporary differences	(22)	1,759	(2,276)	294	(245)
Exchange differences	–	386	–	–	386
At 31 August 2010	(2,082)	(12,904)	7,902	636	(6,448)

The following is the analysis of the deferred tax balances for combined statement of financial position purposes:

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	–	–	10,520	8,538
Deferred tax liabilities	(1,963)	(1,923)	(17,109)	(14,986)
	(1,963)	(1,923)	(6,589)	(6,448)

At 31 December 2007, 2008, 2009 and 31 August 2010 the Group has unused tax losses of approximately HK$0.1 million, HK$5.4 million, HK$14.0 million and HK$35.4 million from some of its subsidiaries available for offset against future profits in these subsidiaries respectively. No deferred tax asset in relation to unused tax losses has been recognised due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of approximately HK$Nil, HK$1.5 million, HK$5.0 million and HK$4.4 million that will expire before 2014 respectively. Other tax losses may be carried forward indefinitely.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

33. SHARE CAPITAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 May 2010. At the date of incorporation, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Details of movement of share capital of the Company subsequent to the incorporation date are set out in Appendix V to the Prospectus.

The share capital balance as at 31 December 2007, 2008, 2009 and 31 August 2010 represented the issued and paid up share capital of Telefield Holdings Limited. During the Relevant Period, the authorised share capital of Telefield Holdings Limited was US$4,100,000 divided into 4,100,000 shares of US$1 each, and the issued and paid up share capital was US$410,000 divided into 410,000 shares of US$1 each.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, buy-back shares, raise new debts, redeem existing debts or sell assets to reduce debts.

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts (i.e. bank borrowings and finance lease payables) less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, non-controlling interests, retained profits and other reserves).

During the Relevant Period, the Group's strategy was to maintain debt-to adjusted capital ratio at the lowest as possible, in order to secure access to finance at a reasonable cost. The debt-to-adjusted capital ratio at the end of each reporting period was as follows:

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$	*HK$*	*HK$*	*HK$*
Debt-to-adjusted capital ratio	55%	N/A	N/A	N/A

The Group's cash and cash equivalents at 31 December 2008 and 2009 and 31 August 2010 were in excess of the sum of bank borrowings and finance lease payables, as a result, no debt-to-adjusted capital ratio were presented.

During the Relevant Period, the bankers of the Group which provide the bank borrowings (note 28) and finance lease payables (note 29) have certain capital requirements as set out below:

(i) maintaining the net gearing ratio of consolidated financial statements of Telefield Holdings Limited at or below 1.0 for the year ended 31 December 2009 and the eight months ended 31 August 2010;

(ii) maintaining consolidated tangible net worth of Telefield Limited at or above HK$20 million;

(iii) maintaining consolidated tangible net worth of Telefield Holdings Limited not less than HK$120 million for the year ended 31 December 2009 and HK$140 million for the eight months ended 31 August 2010;

(iv) maintaining management dividend payout ratio of Telefield Limited at or below 0.5 for the year ended 31 December 2007, 2008 and 2009;

(v) maintaining management bonus and dividend payout ratio of Telefield Holdings Limited at or below 0.5 for the eight months ended 31 August 2010; and

(vi) maintaining the net leverage ratio of consolidated financial statements of Telefield Holdings Limited at or below 1.75 for the eight months ended 31 August 2010.

34. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the combined statement of changes in equity.

(b) Nature and purpose of reserves

(i) Other reserve

The amount represents share of associate's reserve before disposal.

(ii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations as well as the effective portion of any foreign exchange differences arising from hedges of the net investment in these foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(e)(iii) to the Financial Information.

(iii) Property revaluation reserve

The property revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 4(f) to the Financial Information.

The property revaluation reserve of the Company in respect of buildings is distributable to the extent of approximate HK$191,000, HK$255,000, HK$2,763,000 and HK$2,763,000 as at 31 December 2007, 2008, 2009 and 31 August 2010.

(iv) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of shares of the subsidiaries acquired pursuant to a group reorganisation in 1997, over the nominal value of shares of Telefield Holdings Limited issued in exchange therefor.

(v) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's PRC subsidiaries under the applicable laws and regulations in the PRC.

35. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Disposal of subsidiaries

The Group disposed of its subsidiaries, MBK Limited and Telefield Technologies Limited on 1 April 2009 and 31 December 2009 respectively to a fellow subsidiary, in which Mr. Cheng Han Ngok, Steve, Mr. Lee Kai Bon, Mr. Ng Kim Yuen, Mr. Poon Ka Lee, Barry and Madam Fok Pui Yin have beneficial interests.

Net assets/(liabilities) of subsidiaries at respective dates of disposal were as follows:

	MBK Limited	**Telefield Technologies Limited**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Fixed assets	–	294	294
Trade receivables	–	7	7
Prepayments, deposits and other receivables	794	276	1,070
Bank and cash balances	161	54	215
Accruals and other payables	(68)	(442)	(510)
Due to the Group	(391)	(5)	(396)
Due to minority shareholders	–	(996)	(996)
Net assets/(liabilities) disposed of	496	(812)	(316)
Gain on disposal of subsidiaries	784	812	1,596
Consideration	1,280	–	1,280
Net cash outflow arising on disposal:			
Cash consideration received	–	–	–
Cash and cash equivalents disposed of	(161)	(54)	(215)
	(161)	(54)	(215)

(b) Business combinations (other than common control)

For the purpose of expanding the Group's branded businesses, the Group has two business combinations (other than common control) during the year ended 31 December 2009.

On 1 March 2009, the Group acquired certain assets and liabilities from a company in the U.S.A. to engage in marketing and distribution of "RCA" branded SMB phone systems in the U.S.A. and Canada ("Licensed Brand Business"). The Group has the license to use the "RCA" brand to distribute prescribed products in the U.S.A. and Canada for the period from 1 March 2009 to 31 December 2013.

On 2 November 2009, the Group acquired certain assets and liabilities from a liquidation administrator in Germany to engage in assembling, marketing and distribution of "TrekStor" products such as portable storage devices and multimedia products in Europe ("Own Brand Business").

Upon acquisitions, the Group has 100% equity interests in Licensed Brand Business and Own Brand Business. The fair value of the identifiable assets and liabilities of Licensed Brand Business and Own Brand Business acquired as at their respective dates of acquisitions are as follows:

	Licensed Brand Business	**Own Brand Business**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Net assets acquired:			
Fixed assets	–	570	570
Inventories	30,600	13,249	43,849
License rights	21,361	–	21,361
Trademarks	–	16,013	16,013
Customer relationship	13,707	3,582	17,289
Product warranty provisions	(8,149)	–	(8,149)
Deferred tax assets	12,117	–	12,117
Deferred tax liabilities	(13,673)	(3,623)	(17,296)
	55,963	29,791	85,754
Discount on acquisitions	(2,436)	(6,574)	(9,010)
	53,527	23,217	76,744
Satisfied by:			
Cash*	24,232	21,229	45,461
Contingent considerations at fair value *(note 31)*	29,295	1,988	31,283
	53,527	23,217	76,744

* Approximately HK$10,260,000 and HK$5,130,000 of cash consideration was not yet paid as at 31 December 2009 and 31 August 2010 respectively.

The Group recognised discount on acquisitions of approximately HK$9 million as other income (note 9) in relation to the business combinations of Licensed Brand Business and Own Brand Business. The directors of the Company are of the opinion that the discount on acquisition of Licensed Brand Business was resulted from the good business relationship with the vendor, which was a major customer of the Group. Furthermore, the directors of the Company are of the opinion that the discount on acquisition of Own Brand Business was resulted from a liquidation sale.

The acquisition-related legal and professional costs incurred in two business combinations of approximately HK$907,000 were accounted for as expenses.

The contributions of revenue and profit to the Group since respective dates of acquisition and up to 31 December 2009 are as follows:

	Licensed Brand Business	**Own Brand Business**
	HK$'000	*HK$'000*
Revenue contribution	117,367	22,655
Profit/(loss) contribution	2,704	(3,314)

The contributions of revenue and profit to the Group for the year ended 31 December 2009 as if the acquisitions were completed on 1 January 2009 are not available for disclosure as the sellers of respective acquired businesses considered those financial information as confidential.

36. SHARE-BASED PAYMENTS

Equity-settled share-based payment

In order to retain the management team of former Own Brand Business, immediate after the completion of the acquisition of Own Brand Business on 2 November 2009, the Group granted 49% of the equity interests of TrekStor Limited, Telefield TrekStor S.a.r.l. and TrekStor GmbH ("Relevant Equity Interests") to them. As there was no pre-agreed future service period of the management, the relevant equity-settled share-based payment deemed to be vested immediately.

The fair value of the Relevant Equity Interests at grant date is estimated to be approximately HK$2,738,000 base on valuation result of Grant Sherman Appraisal Limited, an independent firm of professional valuer. The valuation is based on a market approach and income approach, and the major assumptions used is as follows:

(i) An assumed discount rate range of approximately 17% to 20%;

(ii) An assumed terminal value base on long term sustainable growth rate of 3%;

(iii) Assumed financial multiples of companies deemed to be similar to Own Brand Business; and

(iv) Assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the non-controlling interests in TrekStor Limited, Telefield TrekStor S.a.r.l. and TrekStor GmbH.

The fair value of Relevant Equity Interests is charged to the combined profit or loss for the year end 31 December 2009 and credited to the non-controlling interests on the combined statement of financial position of the Group.

37. CONTINGENT LIABILITIES

As at 31 December 2007, 2008, 2009 and 31 August 2010, the Group did not have any significant contingent liabilities.

38. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Plant and machinery				
Contracted but not provided for	4,771	2,091	82	776
Approved but not contracted for	–	–	–	21,640
	4,771	2,091	82	22,416

39. LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December			At 31 August
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within one year	5,218	6,469	7,250	8,592
In the second to fifth years, inclusive	11,406	14,131	21,769	22,939
Over five years	2,847	3,599	17,274	15,019
	19,471	24,199	46,293	46,550

Operating lease payments represent rentals payable by the Group for certain of its staff quarter, factories and offices. Leases are negotiated for a range from one to seventeen years and rentals are fixed over the lease terms and do not include contingent rentals.

40. RELATED PARTY TRANSACTIONS

In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year/period:

	Name of directors having beneficial interest	Year ended 31 December			Eight months ended 31 August	
		2007	2008	2009	2009	2010
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000* *(unaudited)*	*HK$'000*
Rent paid to related companies						
– Modern Field Ltd	Cheng Han Ngok, Steve	480	480	480	320	295
– Swintown Investment Limited	Ng Kim Yuen	240	240	240	160	160
– Grand Access Limited	Lee Kai Bon	184	240	240	160	160
		904	960	960	640	615
Legal and professional fee paid to a related companies						
– Expertsec Limited	Poon Ka Lee, Barry	125	2	51	34	31
Purchase of a vehicle from a related company						
–Expertsec Limited	Poon Ka Lee, Barry	–	–	100	–	–
Sale proceeds of a vehicle to a related company						
– Expertsec Limited	Poon Ka Lee, Barry	–	–	–	–	68
Design charges paid to a related company						
– Asia Pacific Information Network Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	1,170	1,092	273	273	–
Consultation fees paid to a related company						
– Cyber Team Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	720	720	–	–	–
Consultation fees received from an associate						
– Colisa Limited	N/A	15	97	–	–	–
Impairment loss on amounts due from related parties						
– Cyber Team Limited	Cheng Han Ngok, Steve Lee Kai Bon Ng Kim Yuen Fok Pui Yin	–	317	–	–	–
– Colisa Limited (an associate of the Group)	N/A	–	133	–	–	–
		–	450	–	–	–

41. EVENTS AFTER REPORTING PERIOD

(a) On 31 December 2010, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000, by the creation of an additional 9,962,000,000 shares of HK$0.01 each.

(b) On 31 December 2010, resolutions of all shareholders of the Company were passed to approve the matters set out in paragraph headed "Resolutions in writing of all the Shareholders passed on 31 December 2010" in Appendix VI to the Prospectus.

(c) The banks have agreed in principle that all personal guarantees and securities provided by the Company's directors will be released or replaced by guarantees or other securities from the Company and/or its subsidiaries upon listing of shares of the Company on Main Board of the Stock Exchange.

(d) Pursuant to the board resolution of Telefield Holdings Limited on 30 December 2010, Telefield Holdings Limited resolved to declare the interim dividend in respect of the eight months ended 31 August 2010 of HK$33.8 millions to the members of Telefield Holdings Limited whose names appear in the Register of Members of Telefield Holdings Limited on 31 August 2010.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 August 2010.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide the prospective investors with further information on (i) how the proposed listing might have affected the financial position of the Group after the completion of the Share Offer; and (ii) how the proposed listing might have affected the unaudited pro forma estimated earnings per share for the year ended 31 December 2010.

The unaudited pro forma financial information is derived according to a number of adjustments. Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the actual financial performance and condition of the Group during the Track Record Period or any further date.

The information set forth in this appendix does not form part of the Accountants' Report prepared by RSM Nelson Wheeler, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following illustrative statement of unaudited pro forma adjusted net tangible assets of the Group is based on the audited combined net assets of the Group as at 31 August 2010, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus and adjusted as described below:

	Combined net tangible assets attributable to the owners of the Company as at 31 August 2010	**Estimated net proceeds from the Share Offer**	**Unaudited pro forma adjusted net tangible assets**	**Unaudited pro forma adjusted net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	(Note 1)	*(Note 2)*		*(Note 3)*
Based on the minimum Offer Price of HK$1.01 per Share	161,068	80,852	241,920	0.60
Based on the maximum Offer Price of HK$1.35 per Share	161,068	113,489	274,557	0.69

Notes:

(1) The combined net tangible assets attributable to owners of the Company as at 31 August 2010 was determined as follows:

	HK$'000
Audited combined net assets as set out in Appendix I to this prospectus	182,713
Add: Non-controlling interests as set out in Appendix I to this prospectus	12,031
Combined net assets attributable to owners of the Company	194,744
Less: Intangible assets attributable to owners of the Company	(33,676)
Combined net tangible assets attributable to owners of the Company	161,068

(2) The estimated net proceeds from the Share Offer is based on the Offer Price of HK$1.01 and HK$1.35 per Share, after deduction of the underwriting fees and related expenses payable by the Company and taking no account of any Shares which may be issued upon the exercise of Over-allotment Option.

(3) The unaudited pro forma adjusted net tangible assets per Share has been arrived at after making the adjustments referred to in note (2) and on the basis of a total of 400,000,000 Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue.

(4) No adjustment has been made to reflect any trading result or other transaction of the Group entered into subsequent to 31 August 2010. In particular, the unaudited pro forma net tangible assets of the Group attributable to the owners of the Company does not take into account the dividend of HK$33.8 million declared by the Board of Telefield Holdings Limited on 30 December 2010,which was paid to the shareholders on 30 December 2010. The unaudited pro forma adjusted net tangible assets per share would have been reduced to HK$0.52 and HK$0.60 per share based on the Offer Price of HK$1.01 and HK$1.35 respectively, after taking into account the payment of the special dividend in the sum of HK$33.8 million.

(5) The Group' property interests as at 30 November 2010 have been valued at approximately HK$12 million by DTZ Debenham Tie Leung Limited, an independent property valuer, and the relevant property valuation report is set out in Appendix IV to this prospectus. The above unaudited pro forma statement of adjusted consolidated net tangible assets has not taken into account the surplus attributable to the Group arising from the revaluation of the Group's property interests amounting to approximately HK$2.46 million. Had the valuation surplus been recorded in the Company's financial statements, the depreciation expenses for the year ending 31 December 2010 would increase by approximately HK$0.01 million.

(B) UNAUDITED PRO FORMA ESTIMATED EARNINGS PER SHARE

The following unaudited pro forma estimated earnings per Share for the year ended 31 December 2010 has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Share Offer as if it had taken place on 1 January 2010. This unaudited pro forma estimated earnings per Share has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial results of the Group following the Share Offer.

Profit Estimate for the year ended 31 December 2010

Unaudited estimated combined profit attributable to owners of the Company *(Note 1)*	not less than HK$67.6 million
Unaudited pro forma estimated earnings per Share *(Note 2)*	not less than HK$0.17

Notes:

(1) The bases and assumptions on which the above profit estimate for the year ended 31 December 2010 has been prepared are set out in Appendix III to this prospectus.

(2) The calculation of unaudited pro forma estimated earnings per Share for the year ended 31 December 2010 is based on the above unaudited estimated combined profit attributable to owners of the Company for the year ended 31 December 2010 and assumes that a total of 400,000,000 Shares were in issue during the entire year, without taking into account any further Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any Shares which may be issued upon the exercise of options which have been granted or may be granted under the Share Option Scheme.

(C) COMFORT LETTER ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, received from the independent reporting accountants of the Company, RSM Nelson Wheeler, Certified Public Accountants, Hong Kong, prepared for inclusion in this prospectus, in respect of the Group's unaudited pro forma financial information.

RSM Nelson Wheeler
中瑞岳華(香港)會計師事務所
Certified Public Accountants

29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

14 January 2011

The Board of Directors
Telefield International (Holdings) Limited
China Merchants Securities (HK) Co., Ltd.

Dear Sirs,

We report on the unaudited pro forma adjusted net tangible assets and unaudited pro forma estimated earnings per Share (the ''Unaudited Pro Forma Financial Information'') of Telefield International (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which have been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Share Offer might have affected the financial information of the Group presented, for inclusion in Appendix II to the prospectus of the Company dated 14 January 2011 (the "Prospectus") in connection with the Placing and Public Offer of 100,000,000 Shares of HK$0.01 each in the Company. The basis of preparation of the Unaudited Pro Forma Financial Information is set out in Appendix II to the Prospectus.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

– the financial position of the Group as at 31 August 2010 or any future date; or

– the earnings per share of the Group for the year ended 31 December 2010 or any future periods.

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

The estimated combined profit attributable to owners of the Company for the year ended 31 December 2010 is set out in the section headed "Financial Information – Profit estimate for the year ended 31 December 2010" in this prospectus.

(A) BASES

The Directors have prepared the estimated combined profit attributable to owners of the Company for the year ended 31 December 2010 based on the audited combined results of the Group for the eight months ended 31 August 2010 and an estimate of the combined results of the Group for the remaining four months ended 31 December 2010.

The profit estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarised in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

(B) PRINCIPAL ASSUMPTIONS

Principal assumptions adopted by the Directors in the preparation of the profit estimate are as follows:

a. there will be no significant changes in the Group's structure;

b. there will be no material changes in existing government policies, political, legal, regulatory, financial and economic conditions in the PRC, Hong Kong, Germany and the United States;

c. there will be no material changes in foreign currency exchange rates of Renminbi, Euro and U.S. dollars from those currently prevailing as at the Latest Practicable Date;

d. there will be no material changes in the bases or rates of taxation applicable to the Group in the respective jurisdictions in which the Group operates;

e. there will be no significant fluctuations in the inflation rate and interest rates of bank loans and deposits from those currently prevailing;

f. the Directors do not expect any extraordinary items to occur during the forecast period; and

g. the Group's business and operation will not be materially and adversely affected by factors that are beyond its control (including those risk factors set out in the section headed "Risk Factors" in this prospectus).

(C) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of a letter from RSM Nelson Wheeler, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, prepared for the purpose of incorporation in this prospectus in connection with the estimated combined profit attributable to owners of the Company for the year ended 31 December 2010.

RSM Nelson Wheeler
中瑞岳華（香港）會計師事務所
Certified Public Accountants

29th Floor
Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Causeway Bay
Hong Kong

14 January 2011

The Board of Directors
Telefield International (Holdings) Limited
China Merchants Securities (HK) Co., Ltd.

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the estimate of the combined profit attributable to owners of Telefield International (Holdings) Limited (the "Company") in respect of the Company and its subsidiaries (hereafter collectively referred to in this letter as the "Group") for the year ended 31 December 2010 (the "Estimate") as set out in the paragraph headed "Profit Estimate for the Year Ended 31 December 2010" under the section headed "Financial Information" in the prospectus of the Company dated 14 January 2011 (the "Prospectus"), for which you as directors of the Company (the "Directors") are solely responsible.

The Estimate has been prepared by the Directors based on the audited combined results of the Group for the eight months ended 31 August 2010 and an estimate of the combined results of the Group for the four months ended 31 December 2010.

In our opinion, the Estimate, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the Directors as set out in Appendix III to the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies currently adopted by the Group as set out in our Accountants' Report in Appendix I to the Prospectus.

Yours faithfully,
RSM Nelson Wheeler
Certified Public Accountants
Hong Kong

LETTER FROM THE SPONSOR

The following is text of a letter prepared by the Sponsor, for the purpose of incorporation in this prospectus, in connection with the estimated combined profit attributable to owners of the Company for the year ended 31 December 2010.

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

The Directors
Telefield International (Holdings) Limited

14 January 2011

Dear Sirs,

We refer to the estimate of the combined profit attributable to the owners of Telefield International (Holdings) Limited (the "Company") for the year ended 31 December 2010 (the "Profit Estimate") as set out in the prospectus issued by the Company dated 14 January 2011 (the "Prospectus").

The Profit Estimate, for which you as the directors of the Company (the "Directors") are solely responsible, has been prepared based on the audited combined accounts of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the eight months ended 31 August 2010 and an estimate of the combined results of the Group for the remaining four months ended 31 December 2010.

We have discussed with you the bases and assumptions made by the directors of the Company as set out in Appendix III to the Prospectus upon which the Profit Estimate has been made. We have also considered the letter dated 14 January 2011 addressed to yourselves and ourselves from RSM Nelson Wheeler, regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by RSM Nelson Wheeler, we are of the opinion that the Profit Estimate, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
China Merchants Securities (HK) Co., Limited
Leo Chan
Managing Director and
Co-Head of Investment Banking Department

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of market value of the property interests in Hong Kong, the PRC, Luxembourg, USA and Germany as at 30 November 2010.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

14 January 2011

The Directors
Telefield International (Holdings) Limited
Units 609-610
6/F, Bio-Informatics Centre
No. 2 Science Park, West Avenue
Hong Kong Science Park
Shatin
New Territories
Hong Kong

Dear Sirs,

INSTRUCTIONS, PURPOSE AND DATE OF VALUATION

In accordance with your instructions for us to value the properties in which Telefield International (Holdings) Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group") have interests in Hong Kong, the PRC (the "PRC") Luxembourg, USA and Germany (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 November 2010.

DEFINITION OF MARKET VALUE

Our valuation of the properties represents its market value which in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION BASIS AND ASSUMPTION

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Valuation Standards (First Edition 2005) on Properties issued by the Hong Kong Institute of Surveyors.

In valuing the property in Hong Kong the Government Leases of which expired before 30 June 1997, we have taken into account the provisions contained in Annex III of the Joint Declaration of the Government of the United Kingdom and the Government of People's Republic of China on the Question of Hong Kong as well as in the New Territories Leases (Extension) Ordinance under which such leases have been extended without premium until 30 June 2047 and that rents of 3% of the rateable value are charged per annum from the date of extension.

In the course of our valuation of the properties in the PRC, we have assumed that the transferable land use rights of the properties for their respective specific terms at nominal annual land use fees have been granted and that any land grant premium payable has already been fully paid. We have relied on the information regarding the title to each of the properties and the interests of the Group in the properties.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and the advice provided by King & Wood PRC Lawyers, are set out in the notes in the respective valuation certificate.

METHOD OF VALUATION

In valuing property in Group I which is held by the Group for owner occupation in Hong Kong, we have valued the property interests by direct comparison method by making reference to comparable sales evidence as available in the relevant market.

The properties in Group II to VI which are leased to the Group have no commercial value mainly due to the prohibitions against assignment and subletting or otherwise due to the lack of substantial profit rents.

SOURCE OF INFORMATION

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuation, we have relied to a considerable extent on the information given by the Group and its legal advisors, King & Wood PRC Lawyers, in respect of the title to the properties in the PRC. We have also accepted advice given to us on such matters as planning approvals or statutory notices, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

SITE INSPECTION

We have inspected the exterior and, wherever possible, the interior of each of the properties. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

CURRENCY

Unless otherwise stated, all money amounts indicated herein are in Hong Kong dollars for the property in Hong Kong, Renminbi for the properties in the PRC, Euro for the properties in Luxembourg and Germany and United States dollar for the property in USA.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 23 years' of experience in the valuation of properties in Hong Kong, the PRC and overseas countries.

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 30 November 2010
Group I – Property held and occupied by the Group in Hong Kong		
1.	Workshop D on 2/F Floor, Valiant Industrial Centre, Nos. 2-12 Au Pui Wan Street, Shatin, New Territories, Hong Kong	HK$12,000,000
Group II – Properties leased to the Group in Hong Kong		
2.	Units 609 and 610 of 6th Floor, Bio-Informatics Centre, Hong Kong Science Park, Shatin, New Territories, Hong Kong	No commercial value
3.	Unit B, 1st Floor, Block 10 and 2 car parking spaces, Richwood Park, 33 Lo Fai Road Tai Po, New Territories, Hong Kong	No commercial value
4.	Unit D, 10th Floor, Block 1 (with a license to use one car parking space), Grand Palisades, 8 Shan Yin Road, Tai Po, New Territories, Hong Kong	No commercial value
5.	Unit A, 9th Floor, Block 27, Parc Oasis, 35 Grandeur Road, Yau Yat Tsuen, Kowloon, Hong Kong	No commercial value

Property	Capital value in existing state as at 30 November 2010
Group III – Properties leased to the Group in the PRC	
6. Technology Park, East of Yongshi Road, Shiwan Town, Boluo County, Huizhou, Guangdong Province, the PRC	No commercial value
7. No. 15 North Guangcong Commercial Street, First Industrial Zone, Zhuliao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC	No commercial value
8. No. 5 North District of Mingliang Road, First Industrial Zone, Zhuliao Town, Baiyun District, Guangzhou, Guangdong Province, The PRC	No commercial value
9. No. 8 Zhengliang Road, First Industrial Zone, Zhuliao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC	No commercial value
10. Room 19A, North area of Hubei Building, No.9003 of Binhe Avenue, Futian District, Shenzhen, Guangdong Province, the PRC	No commercial value

	Property	Capital value in existing state as at 30 November 2010
11.	Room 19B, North area of Hubei Building, No.9003 of Binhe Avenue, Futian District, Shenzhen, Guangdong Province, the PRC	No commercial value
12.	Room 27A and 27B, North area of Hubei Building, No.9003 of Binhe Avenue, Futian District, Shenzhen, Guangdong Province, the PRC	No commercial value
Group IV – Property leased to the Group in Luxembourg		
13.	6 C, Parc d’Activité Syrdall, L-5365 MUNSBACH, Luxembourg	No commercial value
Group V – Property leased to the Group in United States of America (“USA”)		
14.	4915 SW Griffith Dr., Suite #205 Park Place Corporate Center Beaverton, Oregon, USA	No commercial value
Group VI – Properties leased to the Group in Germany		
15.	Industriestrasse 6, 64653 Lorsch, Germany	No commercial value
16.	Kastanienallee 8-10, 64653 Lorsch, Germany	No commercial value
17.	Seehofstrasse 64-66, 64653 Lorsch, Germany	No commercial value
	Total:	HK$12,000,000

VALUATION CERTIFICATE

Group I – Property held and occupied by the Group in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 November 2010
1.	Workshop D on 2/F Floor, Valiant Industrial Centre, Nos. 2-12 Au Pui Wan Street, Shatin, New Territories, Hong Kong 59/5500th shares of and in Sha Tin Town Lot Nos. 62, 63 and 64	The property comprises an industrial unit on the 2nd floor of a 14-storey industrial building completed in 1982. The property has a gross floor area of approximately 683.02 sq.m. (7,352 sq.ft.). The property is held under New Grant Nos ST11288, ST11289 and ST11291 all held for a term of 99 years from 1 July 1898. The term has been statutorily extended until 30 June 2047. The current Government rent payable for the property in an amount equal to 3% of the rateable value for the time being of the property per annum.	The property is occupied by the Group for industrial use.	HK$12,000,000

Note: The registered owner of the property is Circuit Development Limited, an indirect wholly-owned subsidiary of the Company.

VALUATION CERTIFICATE

Group II – Properties leased to the Group in Hong Kong

	Property interest	Description and tenure	Capital value in existing state as at 30 November 2010
2.	Units 609 and 610 of 6th Floor, Bio-Informatics Centre, Hong Kong Science Park, Shatin, New Territories, Hong Kong	The property comprises 2 units of Bio-Informatics Centre in Hong Kong Science Park which is currently occupied by the Group for research and development and office use. The property has lettable floor area of approximately 384.62 sq.m. (4,140 sq.ft.) completed in 2004. The property is currently leased from an independent third party to the Group for a term for 3 years from 1 March 2010 with a monthly rent of HK$52,578 (exclusive of rates) for industrial use.	No commercial value
3.	Unit B, 1st Floor, Block 10 and 2 car parking spaces, Richwood Park, 33 Lo Fai Road Tai Po, New Territories, Hong Kong	The property comprises a residential unit on the 1st floor and 2 car parking spaces of Richwood Park for staff quarter use. The property has a gross floor area of approximately 150.13 sq.m. (1,616 sq.ft.) completed in 1995. The property is currently leased from Modern Field Limited, which is an associate of Century Win, which is owned by Mr. Cheng, who is the Chairman, an Executive Director and one of the Controlling Shareholders of the Company and Mrs. Cheng, the spouse of Mr. Cheng and one of the Controlling Shareholders of the Company, to Telefield Limited, an indirect wholly-owned subsidiary of the Company, for a term of 1 year from 1 June 2010 to 31 May 2011 at a monthly rent of HK$35,000, inclusive of rates, government rent, management fees and other outgoings. The Landlord also provides furniture and electrical appliances.	No commercial value

	Property interest	Description and tenure	Capital value in existing state as at 30 November 2010
4.	Unit D, 10th Floor, Block 1 (with a licence to use one car parking space), Grand Palisades, 8 Shan Yin Road, Tai Po, New Territories, Hong Kong	The property comprises a residential unit on the 10th Floor of Block 1, Grand Palisades and a licence to use one carpark for staff quarter use. The property has a gross floor area of approximately 107.77 sq.m. (1,160 sq.ft.) completed in 1997. The property is currently leased from Grand Access Limited, which is 51% owned by Mr. KB Lee, an Executive Director of the Company, to Telefield Limited, an indirect wholly-owned subsidiary of the Company, for a term of 1 year from 1 June 2010 to 31 May 2011 at a monthly rent of HK$20,000, inclusive of rates, government rent, management fees and other outgoings. The Landlord also provides furniture and electrical appliances.	No commercial value
5.	Unit A, 9th Floor, Block 27, Parc Oasis, 35 Grandeur Road, Yau Yat Tsuen, Kowloon, Hong Kong	The property comprises a residential unit on the 9th Floor of Block 27 Parc Oasis for staff quarter use. The property has a gross floor area of approximately 70.42 sq.m. (758 sq.ft.) completed in 1995. The property is currently leased from Swintown Investment Limited, which is 99.99% owned by Mr. KY Ng, an Executive Director of the Company, to Telefield Limited, an indirect wholly-owned subsidiary of the Company, for a term of 1 year from 1 June 2010 to 31 May 2011 at a monthly rent of HK$20,000, inclusive of rates, government rent, management fees and other outgoings. The Landlord also provides furniture and electrical appliances.	No commercial value

VALUATION CERTIFICATE

Group III – Properties leased to the Group in the PRC

	Property interest	Description and tenure	Capital value in existing state as at 30 November 2010
6.	Technology Park, East of Yongshi Road, Shiwan Town, Boluo County, Huizhou, Guangdong Province, the PRC	The property comprises 2 workshops and a dormitory with a total gross floor area of approximately 14,667 sq.m. completed in the period between 2002 and 2003 and is currently occupied by the Group for industrial and staff quarter uses. The property is currently leased from an independent third party to the Group for a term for 7 years from 1 January 2008 to 31 December 2014 with a monthly rent of RMB100,000. According to the PRC legal opinion, the lease is legal, valid, binding on both parties and enforceable.	No commercial value
7.	No. 15 North Guangcong Commercial Street, First Industrial Zone, Zhuliao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC	The property comprises 3 workshops and 4 dormitories with a gross floor area of approximately 13,323.80 sq. m. and 8,681.83 sq. m. respectively. The property was completed in the period between 1992 and 1995. The property is currently occupied by the Group for industrial and staff quarter uses. The property is currently leased from two independent third parties to the Group for a term for 10 years from 1 July 2009 to 30 June 2019 with a monthly rent and a venue hire charge of RMB154,039.41. According to the PRC legal opinion, the property is located on a house site and it is temporarily planned for industrial use subject to confirmation from the Guangzhou Planning Bureau. However, there is uncertainty for the landlord to perfect the land use procedures and obtain the certificate of title of the property and the Group may be required to relocate its production facilities. Moreover, two blocks of building and the third floor of a workshop are temporary structures. The said temporary structures do not have relevant planning permits, construction permits and building ownership certificates, and such structures may be subject to demolition by the local competent authority and a fine.	No commercial value

VALUATION CERTIFICATE

	Property interest	Description and tenure	Capital value in existing state as at 30 November 2010
8.	No. 5 North District of Mingliang Road, First Industrial Zone, Zhuliao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC	The property comprises a dormitory with a gross floor area of approximately 4,793 sq.m. completed in 1996 and is currently occupied by the Group for industrial use. The property is currently leased from an independent third party to the Group for a term for 10 years from 1 April 2004 to 31 March 2014 with a monthly rent of RMB33,551. According to the PRC legal opinion, the property is located on a house site and it is temporarily planned for industrial use subject to confirmation from the Guangzhou Planning Bureau. However, there is uncertainty for the landlord to perfect the land use procedures and obtain the certificate of title of the property and the Group may be required to relocate its production facilities.	No commercial value
9.	No. 8 Zhengliang Road, First Industrial Zone, Zhuliao Town, Baiyun District, Guangzhou, Guangdong Province, the PRC	The property comprises a workshop with a gross floor area of approximately 16,546.47 sq.m. completed in 2002 and is currently occupied by the Group for industrial use. The property is currently leased from an independent third party to the Group for terms due to expire on 30 June 2019 with a total monthly rent and a venue hire charge of RMB132,371.76. According to the PRC legal opinion, the property is located on a house site and it is temporarily planned for industrial use subject to confirmation from the Guangzhou Planning Bureau. However, there is uncertainty for the landlord to perfect the land use procedures and obtain the certificate of title of the property and the Group may be required to relocate its production facilities.	No commercial value
10.	Room 19A, North area of Hubei Building, No. 9003 of Binhe Avenue, Futian District, Shenzhen, Guangdong Province, the PRC	The property comprises an office unit on the 19th floor of a 29-story office building completed in 2000 and is currently occupied by the Group for office use. The property has a gross floor area of approximately 630 sq.m.. The property is currently leased from an independent third party to the Group for a term from 1 August 2010 to 31 July 2011 with a monthly rent of RMB27,090 (exclusive of management fee and other charges). According to the PRC legal opinion, the lease is legal, valid, binding on both parties and enforceable.	No commercial value

VALUATION CERTIFICATE

	Property interest	Description and tenure	Capital value in existing state as at 30 November 2010
11.	Room 19B, North area of Hubei Building, No. 9003 of Binhe Avenue, Futian District, Shenzhen, Guangdong Province, the PRC	The property comprises an office unit on the 19th floor of a 29-story office building completed in 2000 and is currently occupied by the Group for office use. The property has a gross floor area of approximately 370 sq.m.. The property is currently leased from an independent third party to the Group for a term from 1 August 2010 to 31 July 2011 with a monthly rent of RMB15,910 (exclusive of management fee and other charges). According to the PRC legal opinion, the lease is legal, valid, binding on both parties and enforceable.	No commercial value
12.	Room 27A and 27B, North area of Hubei Building, No.9003 of Binhe Avenue, Futian District, Shenzhen, Guangdong Province, the PRC	The property comprises two office units on the 27th floor of a 29-story office building completed in 2000 and is currently occupied by the Group for office use. The property has a total gross floor area of approximately 1,000 sq.m.. The property is currently leased from an independent third party to the Group for a term from 26 October 2008 to 25 June 2011 with an initial monthly rent of RMB43,000 which was increased to a monthly rent of RMB44,000, between 26 June 2009 and 25 June 2010, and RMB45,000 between 26 June 2010 and 25 June 2011 (exclusive of management fee and other charges). According to the PRC legal opinion, the lease is legal, valid, binding on both parties and enforceable.	No commercial value

Group IV – Property leased to the Group in Luxembourg

13.	6 C, Parc d'Activité Syrdall, L-5365 MUNSBACH, Luxembourg	The property comprises an office unit on the 2nd floor of a 4-storey office building completed in 2004 and is currently occupied by the Group for office use. The property has a gross floor area of approximately 9.5 sq.m.. The property is currently leased from an independent third party to the Group commences on 29 October 2009 for an indefinite period with a monthly rent of EUR820.	No commercial value

VALUATION CERTIFICATE

Group V – Property leased to the Group in USA

	Property interest	Description and tenure	Capital value in existing state as at 30 November 2010
14.	4915 SW Griffith Dr., Suite #205 Park Place Corporate Center Beaverton, Oregon, USA	The property comprises an office unit on the 2nd floor of a 3-storey office building completed in 1988 and is currently occupied by the Group for office use. The property has a gross floor area of approximately 225.10 sq.m.. The property is currently sub-leased from an independent third party to the Group from 1 June 2010 to 31 May 2015 with a monthly rent of US$3,029.	No commercial value

Group VI – Properties leased to the Group in Germany

	Property interest	Description and tenure	Capital value in existing state as at 30 November 2010
15.	Industriestrasse 6, 64653 Lorsch, Germany	The property comprises a production warehouse with a 2-storey office annex completed in 1970s and is currently occupied by the Group for warehouse and office uses. The property has a net floor area of approximately 814 sq.m. The property is currently leased from an independent third party to the Group for a periodical term, which is indefinite but can be terminated by either party in accordance with German statutory regulations or as stated in the lease, from 1 July 2010 with a monthly rent of EUR4,960.	No commercial value
16.	Kastanienallee 8-10, 64653 Lorsch, Germany	The property comprises a single storey warehouse with offices on mezzanine, a detached single store office building completed in 1970s and is currently occupied by the Group for warehouse and office uses. The property has a gross floor area of approximately 802 sq.m.. The property is currently leased from an independent third party to the Group for a periodical term, which is indefinite but can be terminated by either party in accordance with German statutory regulations or as stated in the lease, from 2 November 2009 with a monthly rent of EUR7,500.	No commercial value
17.	Seehofstrasse 64-66, 64653 Lorsch, Germany	The property comprises a single storey warehouse complex completed in 1970s and is currently occupied by the Group for warehouse and office uses. The property has a net floor area of approximately 266 sq.m.. The property is currently leased from an independent third party to the Group for a periodical term, which is indefinite but can be terminated by either party in accordance with German statutory regulations or as stated in the lease, from 1 November 2009 with a monthly rent of EUR510.	No commercial value

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 May 2010 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 31 December 2010. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Companies Law prohibits the issue of bearer shares to any person other than an authorised or recognised custodian defined in the Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

(aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

(ff) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. There is no shareholding qualification for Directors.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

(aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

(bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;

(cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;

(dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) if he is prohibited from being a director by law;

(ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;

(gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or

(hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution – majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

(i) the chairman of the meeting; or

(ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or

(iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of Directors in place of those retiring;

(dd) the appointment of auditors;

(ee) the fixing of the remuneration of the Directors and of the auditors;

(ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and

(gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a newspaper circulating generally in Hong Kong or, where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

(aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;

(ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and

(iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 18 May 2010 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) in the redemption and repurchase of shares (in accordance with the detailed provisions of section 37 of the Companies Law);

(iv) writing-off the preliminary expenses of the company;

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner of purchase, a company cannot purchase any of its own shares without the manner of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details).

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

(i) an act which is *ultra vires* the company or illegal;

(ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and

(iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

(i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company; or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 1 June 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments. The Cayman Islands are not a party to any double tax treaties.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as the directors may, from time to time, think fit. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve in general meeting by special resolution, or, by ordinary resolutions when the company is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed off, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (a) the company is or is likely to become insolvent; or (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, have sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY AND ITS SUBSIDIARIES

1. Incorporation of the Company

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 May 2010. The Company has established a place of business in Hong Kong at Units 609-610, 6/F, Bio-Informatics Centre, No.2 Science Park, West Avenue, Hong Kong Science Park, Shatin, New Territories, Hong Kong, and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Companies Ordinance on 13 October 2010. Mr. Poon of 9A, Block 3, Pokfulam Gardens, 180 Pokfulam Road, Hong Kong and Ms. Fok Pui Yin of Flat A, 18/F., Block 35, Cityone, Shatin, New Territories, Hong Kong have been appointed as the authorised representatives of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it operates subject to the Companies Law and to its constitution comprising the Memorandum and the Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix V to this prospectus.

2. Changes in share capital of the Company

(a) As at the date of incorporation of the Company, its authorised share capital was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, one Share was allotted and issued at fully paid to the subscriber to the memorandum of association of the Company, and the one fully-paid Share was subsequently transferred from the subscriber to Mr. Cheng on 18 May 2010.

(b) On 18 May 2010, 99 Shares with the par value of HK$0.01 were allotted and issued at nil paid to Mr. Cheng.

(c) On 12 August 2010, Mr. Cheng transferred the 100 Shares, of which one Share is fully paid and 99 Shares are nil paid, to Dragon Fortune.

(d) On 31 December 2010, in consideration of the transfer by Dragon Fortune to the Company of the entire interests in Telefield (BVI), an additional 9,900 Shares were allotted and issued by the Company at premium, credited as fully paid: as to 8,018 Shares to Dragon Fortune, 1,000 Shares to the Telefield Charitable Fund, 409 Shares to Miss Cheng, 31 Shares to Ms. Ko, 65 Shares to Ms. Fok, 88 Shares to Mr. KB Lee, 88 Shares to Mr. KY Ng, 53 Shares to Mr. Wong, 35 Shares to Mr. Chiu, 31 Shares to Mr. Tam, 65 Shares to Mr. Sum and 17 Shares to Mr. Poon.

(a) Increase in the authorised share capital

Pursuant to the resolutions in writing of all the Shareholders passed on 31 December 2010 as referred to in paragraph 3 of this Appendix VI, the authorised share capital of the Company was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 Shares.

Immediately following completion of the Share Offer and the Capitalisation Issue but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the the Share Option Scheme, the issued share capital of the Company will be HK$4,000,000 divided into 400,000,000 Shares, all fully paid or credited as fully paid and 9,600,000,000 Shares will remain unissued.

Other than pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, the Directors do not have any present intention to issue any of the authorised but unissued share capital of the Company and, without the prior approval of the Shareholders in general meeting, no issue of the Shares will be made which would effectively alter the control of the Company.

Save as disclosed herein and in paragraph 3 of this Appendix VI below, there has been no alteration in the share capital of the Company since its incorporation.

(b) Founder shares

The Company has no founder shares, management shares or deferred shares.

3. Resolutions in writing of all the Shareholders passed on 31 December 2010

Pursuant to the resolutions in writing passed by all the Shareholders on 31 December 2010:

(a) the Company adopted the new Articles of Association;

(b) the Company adopted the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 13 of this Appendix VI, and the Directors were authorised to grant options to subscribe for the Shares thereunder and, conditional on the Listing Committee granting of the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of the options granted under the Share Option Scheme on or before the date falling 30 days after the date of this prospectus, to allot, issue and deal with the Shares pursuant to the exercise of options granted under the Share Option Scheme;

(c) conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:

(i) the authorised share capital was increased from HK$380,000 to HK$100,000,000 by the creation of an additional 9,962,000,000 Shares;

(ii) the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares;

(iii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 13 of this Appendix VI, were approved and adopted and the Directors were authorised to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;

(iv) conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorised to capitalise approximately HK$2,999,900 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par for 299,990,000 Shares for allotment and issue to the Shareholders whose names appear on the register of members of the Company at the close of business on 31 December 2010 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in the Company so that the Shares allotted and issued shall rank pari passu in all respects with the then existing issued Shares;

(v) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option); and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by the Company pursuant to the authority granted to the Directors as referred to in paragraph (vi) below, until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors as set out in this paragraph (v), whichever occurs first; and

(vi) a general unconditional mandate (the "**Repurchase Mandate**") was given to the Directors to exercise all powers of the Company to purchase the Shares with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may fall to be allotted and issued pursuant to the exercise of the Over-allotment Option) until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors as set out in this paragraph (vi), whichever occurs first.

4. Group reorganisation

The companies comprising the Group underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Shares on the Stock Exchange. The reorganisation involved the following major steps:

(a) On 18 May 2010, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of HK$0.01 each, one Share was allotted and issued at fully paid to the subscriber to the memorandum of association of the Company, and the one fully-paid Share was subsequently transferred from the subscriber to Mr. Cheng on 18 May 2010.

(b) On 18 May 2010, 99 Shares with the par value of HK$0.01 were allotted and issued at nil paid to Mr. Cheng.

(c) On 12 August 2010, Mr. Cheng transferred the 100 Shares, of which one Share is fully paid and 99 Shares are nil paid, to Dragon Fortune.

(d) On 31 December 2010, in consideration of the transfer by Dragon Fortune to the Company of the entire interests in Telefield (BVI), an additional 9,900 Shares were allotted and issued by the Company at premium, credited as fully paid: as to 8,018 Shares to Dragon Fortune, 1,000 Shares to the Telefield Charitable Fund, 409 Shares to Miss Cheng, 31 Shares to Ms. Ko, 65 Shares to Ms. Fok, 88 Shares to Mr. KB Lee, 88 Shares to Mr. KY Ng, 53 Shares to Mr. Wong, 35 Shares to Mr. Chiu, 31 Shares to Mr. Tam, 65 Shares to Mr. Sum and 17 Shares to Mr. Poon; and credited as fully paid the 99 nil paid Shares transferred to Dragon Fortune as referred to in item (c) above.

(e) Immediately after completion of the share transfer referred to in item (d) above, the Company then became the holding company of the Group.

5. Changes in share capital of subsidiaries

The Company's subsidiaries are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus. The following sets out the changes to the share capital made by the subsidiaries of the Company during the two years preceding the date of this prospectus:

(a) Alagona

(i) On 23 October 2009, Alagona was incorporated in the BVI as a limited liability company with an issued share capital of US$1.00 made up of one share of US$1.00 each, and wholly owned by Telefield (BVI).

(b) Bracciano

(i) On 5 January 2010, Bracciano was incorporated in the BVI as a limited liability company with an issued share capital of US$1.00 made up of one share of US$1.00 each, and wholly owned by Telefield (BVI).

(c) Guangzhou Telefield

(i) On 28 August 2008, the board of directors of Guangzhou Telefield resolved to increase the registered capital of Guangzhou Telefield from US$6,060,000 to US$7,060,000 with the increase contributed by Telefield (HK).

(d) Metro Creator

(i) On 4 August 2009, Metro Creator was incorporated in Hong Kong as a limited liability company with an issued share capital of HK$1.00 made up of one share of HK$1.00 each, and wholly owned by the founder member, Cartech Limited.

(ii) On 14 October 2009, Metro Creator allotted and issued 9,999 shares, representing 99.99% of its enlarged issued share capital, to Telefield (BVI).

(e) Modern Channel

(i) On 4 August 2009, Modern Channel was incorporated in Hong Kong as a limited liability company with an issued share capital of HK$1.00 made up of one share of HK$1.00 each, and wholly owned by the founder member, Cartech Limited.

(ii) On 30 September 2009, Modern Channel allotted and issued 9,999 shares, representing 99.99% of its enlarged issued share capital, to Telefield (BVI).

(f) SAL (HK)

(i) On 30 August 2008, SAL (HK) further allotted and issued 2,990,000 shares, representing 99.67% of its enlarged issued share capital, to Telefield (BVI).

(ii) On 30 December 2009, SAL (HK) allotted and issued 2,000,000 shares, representing 40% of its enlarged issued share capital, to Telefield (BVI).

(g) Space Wisdom

(i) On 6 January 2010, Space Wisdom was incorporated in the BVI as a limited liability company with an issued share capital of US$1.00 made up of one share of US$1.00 each, and wholly owned by Telefield (BVI).

(h) Telefield (HK)

(i) On 22 December 2008, Telefield (HK) allotted and issued further 19,979,001 ordinary shares and 19,999 ordinary shares to Telefield (BVI) and Dragon Fortune, respectively.

(i) Telefield Medical

(i) On 25 January 2010, Telefield Medical was incorporated in Hong Kong as a limited liability company with an issued share capital of HK$1.00 made up of one share of HK$1.00 each, and wholly owned by the founder member, Expertsec Limited.

(ii) On 9 February 2010, Telefield Medical allotted and issued 999 shares, representing 99.9% of its enlarged issued share capital, to Bracciano.

(j) TFNA (US)

(i) On 26 December 2008, TFNA (US) was established in Oregon, the United States, as a corporation with 1,000 authorised shares of no par value common stock, no shares of which were issued or outstanding on the date of establishment. On 15 January 2009, TFNA (US) issued 50 shares of its common stock to TFUL (HK).

(k) TFUL (HK)

(i) On 2 December 2008, TFUL (HK) was established in Hong Kong as a limited liability company with an issued share capital of HK$1.00 made up of one share of HK$1.00 each, and wholly owned by the founder member, GNL08 Limited.

(ii) On 31 August 2009, TFUL (HK) allotted and issued 15,599,999 shares to Telefield (BVI).

(l) TrekStor (HK)

(i) On 8 September 2009, TrekStor (HK) was established in Hong Kong as a limited liability company with an issued share capital of HK$1.00 made up of one share of HK$1.00 each, and wholly owned by Alagona.

(ii) On 28 October 2010, TrekStor (HK) allotted and issued additional 50 shares to Alagona, 33 shares to Tarez and 16 shares to Tavida.

(m) TrekStor (Germany)

(i) On 9 September 2009, TrekStor (Germany) was established in Germany as a limited liability company with an issued share capital of Euro25,000.00 made up of two shares, one in the amount of Euro1,000.00 and a second share in the amount of Euro24,000.00 both shares are wholly owned by Telefield TrekStor.

(n) Telefield TrekStor

(i) On 29 October 2009, Telefield TrekStor was established in Luxembourg as a private limited liability company with an issued share capital of Euro 12,500 made up of 100 shares of Euro 125.00 each, and wholly owned by Metro Creator.

(ii) On 5 November 2010, Telefield TrekStor allotted and issued additional two shares to Metro Creator, 66 shares to Tarez and 32 shares to Tavida.

Save for the subsidiaries mentioned in Appendix I to this prospectus, the Company has no other subsidiaries.

Save as set out above, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Repurchase by the Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders, whether by way of general mandate (the "**Repurchase Mandate**") or by a specific approval.

Note: Pursuant to a resolution in writing passed by all Shareholders on 31 December 2010, the Repurchase Mandate was given to the Directors to exercise all powers of the Company to purchase Shares on the Stock Exchange or any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Capitalisation Issue and the Share Offer. The Repurchase Mandate will expire at the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(ii) Source of funds

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the its Memorandum and Articles of Association, the Listing Rules and the applicable laws of the Cayman Islands. Under the Cayman Islands law, repurchases by the Company may only be made out of profits of the Company or out of the proceeds of a fresh issue of Share made for the purpose of the repurchase, or, if so authorised by its Articles of Association and subject to the provisions of the Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of profits of the Company or out of the Company's share premium account, or, if so authorised by its Articles of Association and subject to the provisions of the Companies Law, out of capital.

(iii) Connected parties

The Listing Rules prohibit the Company from knowingly repurchasing its own shares on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the Company or any of its subsidiaries or any of their associates and a connected person is prohibited from knowingly sell his/her Shares to the company.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed.

Under Companies Law, a company's repurchased shares will be treated as cancelled but the repurchase of shares shall not be taken as reducing the amount of the company's authorised share capital.

(v) Suspension of repurchase

Pursuant to the Listing Rules, the Company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Listing Rules in force as at the date of this prospectus, during the period of one month immediately preceding the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to publish an announcement of the Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, the Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit a repurchase of the Shares on the Stock Exchange if the Company has breached the Listing Rules.

(vi) Procedural and reporting requirements

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange in the prescribed from no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which the Company make a purchase of Shares. The report must state the total number of the Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, the Company's annual report and accounts are required to disclose a monthly breakdown of purchases of Shares made each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, the aggregate price paid by the Company for such purchases. The Directors' report is also required to contain reference to the purchases made during the year and the Directors' reasons for making such purchases.

(b) Reasons for repurchases

The Directors believe that it is in the best interests of the Company and the Shareholders for the Directors to have general authority from the Shareholders to enable the Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit the Company and the Shareholders.

(c) Funding of repurchases

In repurchasing securities, the Company may only apply funds legally available for such purpose in accordance with its memorandum and articles of association, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of the Group as disclosed in this prospectus and taking into account the current working capital position of the Group, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of the Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Group.

(d) Exercise of the Repurchase Mandate

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue after completion of the Share Offer, could result in up to 40,000,000 Shares, being repurchased by the Company during the period prior to (i) the next annual general meeting of the Company following the passing of the ordinary resolution referred to above, (ii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by the ordinary resolution referred to above or (iii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held, whichever is the earlier.

(e) General

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

No connected person has notified the Company that he/she/it has a present intention to sell Shares to the Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF THE GROUP

7. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this prospectus and are or may be material:

(a) The TrekStor Transfer Agreement dated 3 November 2009 entered into between Dr. Jan Markus Plathner (the "**Vendor**"), acting in his capacity as insolvency administrator for the estate of TrekStor GmbH & Co. KG (in liquidation) as vendor and TrekStor (Germany) and TrekStor (HK) as purchasers, whereby Dr. Jan Markus Plathner agreed to sell and TrekStor (Germany) and TrekStor (HK) agreed to purchase the tangible fixed assets, certain inventory stock, contracts and intangible assets set out therein for a cash consideration of Euro 1 million, plus the purchase price of the inventory stocks purchased by the Vendor and delivered to TrekStor GmbH & Co. KG (in liquidation) during the period from 21 July 2009 to 31 October 2009 and the consideration will be subject to upward adjustment based, *inter alia*, on the happening of certain events and the performance of TrekStor (Germany) and TrekStor (HK) for the five years following the date of the TrekStor Transfer Agreement up to a cap of Euro 0.8 million;

(b) The Reorganisation Agreement dated 31 December 2010 made among Dragon Fortune as vendor, the Company as purchaser and the below persons, for the acquisition of the 100% equity interest in Telefield (BVI) and in consideration thereof, (i) the Company allotted and issued, credited as fully paid, an aggregate of 9,900 Shares to the following Shareholders, as to 8,018 Shares to Dragon Fortune, 1,000 shares to Telefield Charitable Fund, 409 Shares to Miss Cheng, 31 Shares to Ms. Ko, 65 Shares to Ms. Fok, 88 Shares to Mr. KB Lee, 88 Shares to Mr. KY Ng, 53 Shares to Mr. Wong, 35 Shares to Mr. Chiu, 31 Shares to Mr. Tam, 65 Shares to Mr. Sum and 17 Shares to Mr. Poon; and (ii) credited as fully paid the 99 nil paid Shares held by Dragon Fortune;

(c) A shareholders' agreement relating to Telefield TrekStor entered into among Metro Creator, Tarez, Tavida and Telefield TrekStor dated 24 September 2010, to regulate their respective rights and obligations as shareholders of Telefield TrekStor and the conduct of the business and affairs of Telefield TrekStor and its subsidiaries;

(d) A shareholders' agreement relating to TrekStor (HK) entered into among Alagona, Tarez, Tavida and TrekStor(HK) dated 24 September 2010, to regulate their respective rights and obligations as shareholders of TrekStor (HK) and the conduct of the business and affairs of TrekStor (HK) and its subsidiaries;

(e) The non-competition deed dated 13 January 2011 given by each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune in favour of the Company (for itself and for the benefit of its subsidiaries) regarding the non-competition undertaking as more particularly referred to in the section headed "Relationship with the Controlling Shareholders" in this prospectus;

(f) The deed of indemnity dated 13 January 2011 given by each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune in favour of the Company more particularly referred to in the paragraph headed "Tax and other indemnities" in this Appendix VI; and

(g) The Public Offer Underwriting Agreement, the principal terms of which are summarised in the section headed "Underwriting – Underwriting arrangements and expenses" in this prospectus.

8. Intellectual Property Rights of the Group

(a) TrekStor-related Trademarks

As at the Latest Practicable Date, the Group owned certain trademarks registered in the European Union, details of which are as follows:

Trademark	Registrant (after transfers completed)	Class	Registration Date	Expiry date	Registration Number
DataStation	TrekStor (HK) *(Note 1)*	9	26 January 2007	22 February 2016	4918025
MovieStation	TrekStor (HK)	9	4 December 2007	8 March 2017	5743257
	TrekStor (HK) *(Note 1)*	9, 25, 38	22 March 2007	6 June 2016	5119961
i.Beat	TrekStor (HK)	9	21 May 2007	10 April 2016	5009139
SatCorder	TrekStor (HK) *(Note 1)*	9	22 May 2008	16 August 2017	6204821
Antarius	TrekStor (HK) *(Note 1)*	9	11 December 2009	4 May 2019	8277584
TREKSTOR®	TrekStor (HK) *(Note 1)*	9, 38, 42	17 January 2007	20 February 2016	4913661
TrekStor	TrekStor (HK) *(Note 1)*	9, 38, 42	31 October 2005	15 July 2014	3936184
TrekStor	TrekStor (HK) *(Note 1)*	25, 37, 42	17 November 2008	13 February 2018	6665863

As at the Latest Practicable Date, the Group owned certain trademarks registered in Germany, details of which are as follows:

Trademark	Registrant (after transfers completed) *(Note 1)*	Class	Registration Date	Expiry date	Registration Number
TREKSTOR®	TrekStor (HK)	9	22 November 2006	22 November 2016	908224
TREKSTOR®	TrekStor (HK)	9, 35, 41	20 April 2007	30 April 2017	30726432

Note 1: Pursuant to the TrekStor Transfer Agreement, details of which are set out in the paragraph headed "Summary of material contracts" in this Appendix VI, the beneficial rights to the trademarks currently registered in the name of TrekStor GmbH & Co. KG were transferred to TrekStor (HK). Steps have been taken by the Group to register these trademarks in the name of TrekStor (HK).

As at the Latest Practicable Date, the Group owned the following trademark in Hong Kong, details of which are as follows:

Trademark	Registrant	Class	Registration Date	Expiry date	Registration Number
TELEFIELD™	Telefield Limited	7, 9, 10, 11, 15	10 July 2009******	9 July 2019	301380979

****** *This is the Date of Registration. The Actual Date of Registration is 16 December 2009.*

(b) Domain name

As at the Latest Practicable Date, the Group was the registrant of the following domain names:

Domain name	Registration date	Expiry date
telefieldgroup.com.hk	18 June 2010	18 June 2015
telefield.com.hk.	29 July 1996	1 October 2011
trekstor.at	Domain was first registered on 25 November 2004. It is owned by TrekStor GmbH since 14 January 2010.	There is no specific expiration date. The domain is renewed every year until the owner cancels it.
trekstor.de	13 December 2000	There is no specific expiration date. A.de-domain is valid until the owner cancels it.

Pursuant to the TrekStor Transfer Agreement, certain domain names were transferred to the Group. Steps will be taken by the Group to register the following domain names in the Group's name:

Domain name	Registration date	Expiry date
trekstor.es	15 May 2006	15 May 2011
trekstor.eu	13 June 2006	There is no specific expiration date. The domain is renewed every year until the owner cancels it.
trekstor.hk	18 June 2006	18 June 2011
trekstor.it	14 December 2005	5 November 2011

Domain name	Registration date	Expiry date
trekstor.pl	6 October 2004	There is no specific expiration date.
trekstore.de***	7 January 2003	There is no specific expiration date. A.de-domain is valid until the owner cancels it.

*** *The owner of this domain is Mr. Daniel Szmigiel (TrekStor GmbH). Mr. Daniel Szmigiel is obliged to transfer this domain to TrekStor Ltd. according to the "German Domain Name Transfer Agreement" dated January 7, 2010.*

Save as disclosed herein, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of the Group.

9. Further information about the Group's establishments in the PRC

The Group has interests in three major PRC subsidiaries and a PRC branch office. Set out below is a summary of the corporate information of these PRC subsidiaries and the PRC branch office:

(a)

Name of enterprise:	Guangzhou Telefield
Economic nature:	Limited liability company (solely invested by Taiwan, Hong Kong, Macau corporate)
Registered owner:	Telefield (HK)
Present member and percentage of shareholding:	100% held by Telefield (HK)
Total investment:	US$7,060,000
Registered capital:	US$7,060,000
Term of operation:	30 years commencing from 27 October 1992 to 27 October 2022

	Scope of business:	Production, processing and design of various types of telecommunications products, such as corded phone, indoor cordless phone and answering machine, household appliances and electronic products (restricted products excluded), such as media system (DVD, CD and amplifier) and accessories, hydraulic heater, electronic massager, such as medical appliances and raw plastic components for various types of products, sales of products of the company (Business prohibited by law and regulations shall not be conducted; Business involving permitted category shall be conducted in accordance with the permits; Obtained permit for producing medical appliances under permitted category: type 2: 6820 general diagnostic appliances, the permit valid until 1 August 2013)
(b)	Name of enterprise:	Huizhou Telefield
	Economic nature:	Limited liability company (solely invested by Taiwan, Hong Kong, Macau corporate)
	Registered owner:	SAL (HK)
	Present member and percentage of shareholding:	100% held by SAL (HK)
	Total investment:	HK$15,000,000
	Total registered capital:	HK$15,000,000
	Term of operation:	30 years commencing from 27 February 2008 to 24 February 2038
	Scope of business:	Production and sales of DAB and GPS products and key components thereof, DVB products and plastic components and processing of electronic products (Excluded productions of the national restricted category). The products are for domestic and export sales

(c)	Name of enterprise:	Aiko (Shenzhen)
	Economic nature:	Limited liability company (solely invested by Taiwan, Hong Kong, Macau corporate)
	Registered owner:	Aiko
	Present member and percentage of shareholding:	100% held by Aiko
	Total investment:	HK$1,000,000
	Total registered capital:	HK$1,000,000
	Term of operation:	30 years commencing from 26 September 2006 to 26 September 2036
	Scope of business:	Engaged in electronic products, fitness equipment, massage equipment, household appliances, telephone, and air cleaners design, wholesale, commission agency (excluding auction), import and export and related ancillary services (involving administration and granting authorisation of quota, specified regulated and administered products shall be handled according to relevant regulations of the state), and provision of performance testing and technical consultation related to the above mentioned products
(d)	Name of enterprise:	Shenzhen Telefield
	Economic nature:	Branch of Guangzhou Telefield
	Registered owner:	Guangzhou Telefield
	Operation capital:	RMB200,000
	Term of operation:	from 15 November 1994 to 27 October 2022
	Scope of business:	Design of electronic communication products such as various types of programmable and semiconductor recording telephone sets

C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

10. Directors

(a) Disclosure of interests of Directors and experts

(i) Save as disclosed herein and in the sub-paragraph headed "Summary of material contracts" in this Appendix VI, none of the Directors or the experts named in the sub-paragraph headed "Qualifications of experts" in this Appendix VI has any direct or indirect interest in the promotion of the Company or in any assets acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group within the two years immediately preceding the date of this prospectus.

(ii) Save as disclosed in the sub-paragraph headed "Summary of material contracts" in this Appendix VI, none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group.

(b) Particulars of service contracts

Each of Mr. Cheng, Mr. Poon, Mr. KY Ng, Ms. Fok and Mr. KB Lee, being all the executive Directors, has entered into a service contract with the Company commencing from 1 July 2010 (save for Mr. Cheng, whose service contract commenced from 18 May 2010) until termination in accordance with the respective contract. Each of these executive Directors is entitled to the respective monthly remuneration set out below (subject to review by the Board). In addition, the executive Directors are also entitled to an end of year payment (payable on the date as determined by the Board) and an interim payment (payable on 31 July) of a sum equal to one month remuneration of that executive Director or a proportion of that amount calculated in the manner described in the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) if the executive Director has been employed by the Company for less than one year. Subject to terms of the service contract, each service contract may be terminated by either party thereto giving to the other party not less than three months' prior notice in writing and the current monthly remuneration of the executive Directors are as follows:

Name	**Amount**
Mr. Cheng	HK$140,000
Mr. Poon	HK$72,000
Mr. KY Ng	HK$77,500
Ms. Fok	HK$75,000
Mr. KB Lee	HK$65,100

In addition, each of the executive Directors is entitled to reimbursement of his/her accommodation expenses to the following extent for each month:

Name	**Reimbursement of accommodation expense (per month)**
Mr. Cheng	HK$35,000
Mr. Poon	Nil
Mr. KY Ng	HK$20,000
Ms. Fok	Nil
Mr. KB Lee	HK$20,000

Mr. Cheng is also entitled to the use of a company car. The Group will be responsible for the hiring and payment of the remuneration of a chauffeur and all running and maintenance cost of the car.

Each of the independent non-executive Directors has signed a letter of appointment with our Company, pursuant to which each of them accepts that, for a specific term of three years from the date of signing of their respective letter of appointment, their appointment as an independent non-executive Director shall be governed by the terms and conditions set out therein. The letter of appointment may be terminated by, among others, giving three months' prior notice in writing by either party to the other, and upon such termination, the independent non-executive Director shall, upon the Company's request, resign immediately from such offices held by him in the Company or any other member of the Group.

Save as aforesaid, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Group within one year without the payment of compensation (other than statutory compensation)).

(c) Directors' remuneration

For the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010, the aggregate of the remuneration (including salaries and allowance) paid and benefits in kind granted by the Group to the Directors amounted to approximately HK$5,339,000, HK$8,478,000, HK$8,800,000 and HK$4,373,000, respectively.

Under the arrangements currently in force, the aggregate emoluments (excluding any discretionary bonus, if any, payable to the Director) payable by the Group to and benefits in kind receivable by the Directors for the year ending 31 December 2011 is estimated to be approximately HK$7,400,000.

None of the Directors or any past directors of any member of the Group has been paid any sum of money for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010 (i) as an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the three years ended 31 December 2007, 2008 and 2009 and the eight months ended 31 August 2010.

(d) Interests and short positions of Directors in the share, underlying shares or debentures of the Company and its associated corporations

Immediately following the completion of the Share Offer and the Capitalisation Issue, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required pursuant to section 352 of the SFO to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules, will be as follows:

Long position in the Shares

Name	Company/name of associated corporation	Nature of Interest	Number of Shares held	Extent of holding and which company
Mr. Cheng	The Company	Interested in controlled corporation *(Note 1)*	243,510,000	60.88%
	The Company	Interested in controlled corporation *(Note 1)*	30,000,000	7.50%
Mr. KB Lee	The Company	Beneficial Interest	2,640,000	0.66%
	Dragon Fortune	Interested in associated corporation	969	8.77%
Mr. KY Ng	The Company	Beneficial Interest	2,640,000	0.66%
	Dragon Fortune	Interested in associated corporation	969	8.77%
Mr. Poon	The Company	Beneficial Interest	540,000	0.13%
	Dragon Fortune	Interested in associated corporation	194	1.76%

Name	Company/name of associated corporation	Nature of Interest	Number of Shares held	Extent of holding and which company
Ms. Fok	The Company	Beneficial Interest	1,950,000	0.49%
	Dragon Fortune	Interested in associated corporation *(Note 2)*	727	6.58%

Notes:

(1) Mr. Cheng holds approximately 53.68% interest in Century Win and Century Win respectively holds approximately 52.62% interest in each of Dragon Fortune and Telefield Charitable Fund. Therefore, Mr. Cheng is deemed or taken to be interested in all the Shares which are beneficially owned by each of Dragon Fortune and Telefield Charitable Fund.

(2) Dragon Fortune is owned as to 6.58% by Titanic Horizon which is wholly owned by Ms. Fok. Therefore, Ms. Fok is deemed or taken to be interested in all the shares in Dragon Fortune which are beneficially owned by Titanic Horizon.

Interest discloseable under the SFO and substantial shareholders

So far as the Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of any option which have been or may be granted under the Share Option Scheme, the following persons/entities will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group:

(a) Interest in the Company

Name	Company/name of associated corporation	Nature of Interest	Number of Shares held	Extent of holding
Dragon Fortune	The Company	Beneficial Interest	243,510,000	60.88%
Telefield Charitable Fund	The Company	Beneficial Interest	30,000,000	7.50%
Century Win	The Company	Interested in controlled corporation *(Note 1)*	243,510,000	60.88%
	The Company	Interested in controlled corporation *(Note 2)*	30,000,000	7.50%

Name	Company/name of associated corporation	Nature of Interest	Number of Shares held	Extent of holding
Mr. Cheng	The Company	Interested in controlled corporation *(Note 3)*	243,510,000	60.88%
	The Company	Interested in controlled corporation *(Note 3)*	30,000,000	7.50%
Mrs. Cheng	The Company	Interested in controlled corporation *(Note 4)*	243,510,000	60.88%
	The Company	Interested in controlled corporation *(Note 4)*	30,000,000	7.50%

Notes:

(1) Century Win holds approximately 52.62% interest in Dragon Fortune. Therefore, Century Win is deemed or taken to be interested in all the Shares which are beneficially owned by Dragon Fortune for the purpose of the SFO.

(2) Century Win holds approximately 52.62% interest in Telefield Charitable Fund. Therefore, Century Win is deemed or taken to be interested in all the Shares which are beneficially owned by Telefield Charitable Fund for the purpose of the SFO.

(3) Mr. Cheng holds approximately 53.68% interest in Century Win and Century Win respectively holds approximately 52.62% interest in each of Dragon Fortune and Telefield Charitable Fund. Therefore, Mr. Cheng is deemed or taken to be interested in all the Shares which are beneficially owned by each of Dragon Fortune and Telefield Charitable Fund.

(4) Mrs. Cheng holds approximately 46.32% interest in Century Win and Century Win respectively holds approximately 52.62% interest in each of Dragon Fortune and Telefield Charitable Fund. Therefore, Mrs. Cheng is deemed or taken to be interested in all the Shares which are beneficially owned by each of Dragon Fortune and Telefield Charitable Fund.

(b) Interest in other members of the Group

Name of shareholder(s)	Name of subsidiary of the Company	Number of Shares held	Percentage of equity interest
Tarez	TrekStor (HK)	33	33%
Tarez	Telefield TrekStor	66	33%
Tavida	TrekStor (HK)	16	16%
Tavida	Telefield TrekStor	32	16%

11. Related party transactions

Details of the related party transactions are set out under note 40 to the Accountants' Report set out in Appendix I to this prospectus.

12. Disclaimers

Save as disclosed in this prospectus:

(a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of any options which have been or may be granted under the Share Option Scheme, the Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group;

(b) none of the Directors nor chief executive of the Company has for the purpose of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules once the Shares are listed on the Stock Exchange;

(c) none of the Directors nor the experts named in paragraph 21 of this Appendix VI has been interested in the promotion of, or has any direct or indirect interest in any assets acquired or disposed of by or leased to, any member of the Group within the two years immediately preceding the date of this prospectus, or which are proposed to be acquired or disposed of by or leased to any member of the Group nor will any Director apply for Offer Shares either in his/her own name or in the name of a nominee;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole; and

(e) none of the experts named in paragraph 21 of this Appendix VI has any shareholding in any company in the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any company in the Group.

D. SHARE OPTION SCHEME

13. Share Option Scheme

For the purpose of this paragraph 13 of this Appendix VI, the following expressions have the meanings set out below unless the context requires otherwise:

"Adoption Date"	31 December 2010, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
"Grantee"	any Participant who accept an Offer in accordance with the terms of the Share Option Scheme
"Group"	the Company and any entity in which the Company directly or indirectly holds any equity interests
"Offer"	an offer of the grant of Options made in accordance with the terms of the Share Option Scheme
"Offer Date"	the date on which an Offer is made to a Participant
"Option(s)"	option(s) to subscribe for Shares granted and accepted pursuant to the Share Option Scheme
"Option Period"	the period for the exercise of an Option to be notified by the Board to the Grantee, but in any event shall not exceed ten years from the Offer Date
"Participant"	any person who satisfied the eligibility requirements set out in paragraph (a)(ii) below
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all the Shareholders on 31 December 2010. The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

(i) Purpose of the Share Option Scheme

The Share Option Scheme is a share incentive scheme and is established to recognise, motivate and provide incentives to those who make contributions to the Group. The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

The Share Option Scheme will give the Participants an opportunity to have a personal stake in the Company and will help achieve the following objectives:

(aa) motivate the Participants to optimise their performance and efficiency; and

(bb) attract and retain the Participants whose contributions are important to the long-term growth and profitability of the Group.

(ii) Who may join

(aa) The Board may, at its absolute discretion, invite any person belonging to any of the following classes of persons, to be a Participant of the Share Option Scheme and to take up an Option to subscribe for Shares:

(i) any full-time or part-time employee of any member of the Group;

(ii) any consultant or adviser of any member of the Group;

(iii) any director (including executive, non-executive or independent non-executive directors) of any member of the Group;

(iv) any substantial shareholder of any member of the Group; and

(v) any distributor, contractor, supplier, agent, customer, business partner or service provider of any member of the Group,

and for the purposes of the Share Option Scheme, the Options may be granted to any company wholly owned by one or more persons belonging to any of the above classes of Participants.

For the avoidance of doubt, the grant of any Options by the Company for the subscription of Shares or any other securities of the Group to any person who fall within any of the above classes of Participants shall not, by itself, unless the Board otherwise determined, be construed as a grant of Option under the Share Option Scheme.

(bb) The basis of eligibility of any Participant to the grant of any Option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of the Participant's contribution or potential contribution to the development and growth of the Group.

(iii) Subscription Price for the Shares and consideration for the Option

(aa) the Subscription Price shall be determined solely by the Board and notified to a Participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Offer Date; and (iii) the nominal value of a Share on the Offer Date.

(bb) A nominal consideration of HK$1.00 is payable on acceptance of the grant of Options.

(iv) Maximum number of Shares

(aa) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No Options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in the limit being exceeded.

(bb) Subject to sub-paragraphs (cc) and (dd) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue upon the Listing Date (i.e. 40,000,000 Shares assuming the Over-allotment Option is not exercised at all).

(cc) The 10% limit as mentioned under above sub-paragraph (bb) may be refreshed at any time by approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the

Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and other share option schemes of the Company) will not be counted for the purpose of calculating the limit as "refreshed". A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

(dd) Subject to the above sub-paragraph (aa), the Company may seek separate approval by the Shareholders in general meeting for granting Options beyond the 10% limit under sub-paragraphs (bb) and (cc) provided the Options in excess of the limit are granted only to Participants specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of the specified persons who may be granted such Options, the number and terms of such Options to be granted and the purpose of granting such Options to the specified persons with an explanation of how the terms of the Options will serve the purpose and all other information required under the Listing Rules.

(v) Maximum entitlement of each Participant

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to date of grant must not exceed 1% of the Shares in issue. Any further grant must be separately approved by the Shareholders in general meeting with such Participant and his associates abstaining from voting, and the number and terms (including the Subscription Price) of Options to be granted to such Participant must be fixed before the Shareholders' approval. In such event, the Company must send a circular to the Shareholders containing the identity of the Participant, the number and terms of Options to be granted (and Options previously granted to such person) and all other information required under the Listing Rules.

(vi) Grant of Options to the Directors, chief executive or substantial shareholders of the Company or their respective associates

(aa) Each grant of Options to a Director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive Directors (excluding independent non-executive Director(s) who is/are the Grantee(s)). Where any grant of Options to a substantial shareholder of the Company or an independent non-executive Director of the Company or any of their respective associates would result in the total number of Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled and outstanding) under the Share Option Scheme and any other share option schemes of the Company to such person in any 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of Options must be approved by the Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons (as defined in the Listing Rules) of the Company shall abstain from voting (except where any connected person intends to vote against the proposed grant and his intention to do so has been stated in the aforesaid circular). Any change in the terms of an Option granted to a substantial shareholder of the Company or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(vii) Time of grant and acceptance of Option

(aa) The Board shall be entitled at any time and from time to time within ten years after the Adoption Date to make an Offer to any Participant as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, which may include a condition that the Grantee shall not dispose of the Shares issued upon exercise of the Option within such period of time or under such conditions as the Board may at its absolute discretion determine, minimum period for which an Option must be held and performance targets that must be achieved before an Option can be exercised, to subscribe during the Option Period for such number of Shares as the Directors may determine at the Subscription Price.

(bb) An Option may be accepted in accordance with the terms of the Share Option Scheme and shall remain open for acceptance by the Participant concerned for a period of seven days from the Offer Date (inclusive of the Offer Date).

(cc) Any Offer must be accepted in its entirety and can under no circumstances be accepted of less than the number of Shares for which it is offered.

(viii) Time of exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the period to be notified by the Directors to the Grantee at the time of making an Offer, but in any event shall not exceed ten years from the date on which an Option is offered to a Participant.

(ix) Administration of exercise of Option

(aa) An Option may be exercised in whole or in part in the manner by the Grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate Subscription Price of the Shares in respect of which the notice is given together with the reasonable administration fee specified by the Company from time to time. Within 28 days after receipt of the notice and the remittance, the Company shall issue and allot the relevant Shares, credited as fully paid, and a share certificate for the relevant Shares so allotted to the Grantee.

(bb) A Grantee shall ensure that any exercise of his Option under paragraph (x) is valid and complies with all laws, legislations and regulations to which he is subject. The Directors may, as a condition precedent to allotting Shares upon an exercise of an Option, require the relevant Grantee to produce such evidence as they may reasonable require for such purpose.

(x) Rights are personal to Grantee

An Option shall be personal to the Grantee. Except for the transmission of an Option on the death of a Grantee to his/her legal personal representative(s), the Option shall not be assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose or create any interest in favour of any third party over or in relation to any Option (where the Grantee is a company, any change of its major shareholder or any substantial change in its management will be deemed to be a sale or transfer of interest as aforesaid, if so determined by the Directors at their sole discretions). Any breach of the foregoing by a Grantee shall entitle the Company to cancel, revoke or terminate any Option granted to such Grantee to the extent not already exercised.

(xi) Performance targets

The Board may at its absolute discretion to determine and state in the Offer for the grant of Options to a Grantee that a performance target must be achieved before any Options granted under the Share Options Scheme can be exercised.

(xii) Rights on death

In the event that the Grantee (being an individual) dies before exercising the Option in full, his legal personal representative(s) may exercise the Option up to the Grantee's entitlement (to the extent which has become exercisable and not already exercised) within the period of 12 months following his death PROVIDED THAT where any of the events set out in paragraphs (xv) and (xvi) occurs prior to his death or within such 12-month period following his death, then his legal personal representative(s) may so exercise the Option within such of the various periods respectively set out in such clauses instead of the period referred to in this paragraph (xii) and provided further that if within a period of three years prior to the Grantee's death, the Grantee had committed any of the acts as specified in subparagraph (xxiii)(dd) below which would have entitled the Company to terminate his employment prior to his death, the Board may at any time forthwith terminate the Option of the Grantee (to the extent not already exercised) by written notice to his legal personal representatives and the Option (to the extent not already exercised) shall lapse on the date of the relevant Board resolution.

(xiii) Rights on ceasing employment

In the event that the Grantee is an employee of the Group when an Offer is made to him and he subsequently ceases to be an employee of the Group for any reason other than (i) his death or (ii) the termination of his employment on one or more of the grounds specified in subparagraph (xxiii)(dd) below, the Option (to the extent not already exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day on which the Grantee was physically at work with the Company or the relevant member of the Group whether salary is paid in lieu of notice or not).

(xiv) Rights on dismissal

In the event that the Grantee is an employee of the Group when an Offer is made to him and he subsequently ceases to be an employee by reason of a termination of his employment on one or more of the grounds specified in subparagraph (xxiii)(dd) and the Grantee has exercised the Option in whole or in part pursuant to clause (ix), but Shares have not been allotted to him, the Grantee shall, unless the Board determines otherwise, be deemed not to have so exercised such Option and the Company shall return to the Grantee the amount of the Subscription Price for the Shares in respect of the purported exercise of such Option.

(xv) Rights on winding up

In the event a general meeting is convened for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, each Grantee shall be entitled to exercise all or any of his Options (to the extent not already exercised) at any time not later than two Business Days prior to the proposed general meeting of the Company by giving notice in writing to the Company in accordance with the terms of the Share Option Scheme, accompanied by a remittance for the full amount of the aggregate Subscription Price of the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the Grantee credited as fully paid.

(xvi) Rights on a general offer, a compromise or arrangement

In the event of a general or partial offer (whether by way of takeover offer or share repurchase offer scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) the Company shall use its best endeavours to procure that an appropriate offer is extended to all Grantees (on comparable terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, as Shareholders). If such offer becoming or being declared unconditional, a Grantee shall, notwithstanding any terms on which his Options were granted, be entitled to exercise the Option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

In the event of a compromise or arrangement between the Company and the Shareholders or its creditors being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Law, the Company shall give notice thereof to all the Grantees on the same day as it gives notice of the meeting to the Shareholders or its creditors to consider such a compromise or arrangement and the Options (to the extent not already exercised) shall become exercisable in whole or in part on such date until the earlier of (i) two months after that date or (ii) at any time not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (the "Suspension Date"), by giving notice in writing to the Company in accordance with paragraph (ix) above, accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the Grantee credited as fully paid. With effect from the Suspension Date, the rights of all Grantees to exercise their respective Options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all Options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of Options under this paragraph (xvi) shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of Grantees to exercise their respective Options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of this Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any Grantee as a result of such proposal;

(xvii) Adjustments to the Subscription Price

(aa) In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of the Company, such corresponding adjustments (if any) shall be made in:

(i) the number of Shares subject to the Option so far as unexercised; and/or

(ii) the Subscription Prices of any unexercised Option,

as the auditors shall certify in writing or the financial adviser shall confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable and in compliance with the relevant provisions of the Listing Rules (or any guideline or supplementary guidance as may be issued by the Stock Exchange from time to time) (no such certification or confirmation is required in case of adjustment made on a capitalisation issue), provided that the overriding principle is that no adjustments should be made to the advantage of the Grantee or that would increase the intrinsic value of any Option.

For avoidance of doubt, (a) an issue of any securities of the Company for cash or as consideration in respect of a transaction; and (b) an issue of any securities of the Company under the authority of a general mandate or specific mandate granted to the Board by the shareholders of the Company, will not be regarded as circumstances requiring adjustment under this paragraph (xvii)(aa).

(bb) Any adjustment under paragraph (xvii)(aa) will be made, to the extent practicable, in accordance with the following:

(i) any such adjustment shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustment shall remain the same as that to which he was entitled before such adjustment;

(ii) no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value;

(iii) the auditors or financial advisers selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment is in their opinion fair and reasonable and in compliance with the relevant provisions of the Listing Rules (or any guideline or supplementary guidance as may be issued by the Stock Exchange from time to time) (no such confirmation is required in case of adjustment made on a capitalisation issue).

(xviii) Ranking of Shares

The Shares to be allotted and issued upon the exercise of an Option will be subject to all the provisions of the Memorandum and the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted and issued upon the exercise of any Option shall not carry any voting rights until the name of the Grantee has been duly entered on the register of members of the Company as the holder thereof.

(xix) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted.

(xx) Restrictions on the time of the Offer

No Offer may be made after a price sensitive event of the Group has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced in accordance with the requirements of the Listing Rules. No Option may be granted during the period commencing one month immediately preceding the earlier of:-

(aa) the date of the meeting of the Board (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(bb) the last day on which the Company shall publish an announcement of its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

(xxi) Cancellation of Options

Any cancellation of Options granted but not exercised may be effected on such terms as may be agreed with the relevant Grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation. Where the Company cancels Options and issues new ones to the same Grantee, the issue of such new Options may only be made under the Share Option Scheme with available unissued Options (excluding the cancelled Options) and in compliance with the terms of the Share Option Scheme, in particular within the limit approved by the Shareholders and, subject to the maximum number of Shares available for subscription stipulated under the Listing Rules.

(xxii) Termination of the Share Option Scheme

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Options will be offered but Options granted prior to such termination shall continue to be valid and exercisable in accordance with the provisions of the Share Option Scheme.

(xxiii) Lapse of Option

An Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

(aa) the expiry of the Option Period;

(bb) the expiry of any of the periods referred to in paragraphs (xii), (xiii) and (xvi);

(cc) subject to paragraph (xv), the date of the commencement of the winding-up of the Company;

(dd) in the event that the Grantee is an employee of the Group when an Offer is made to him and he subsequently ceases to be an employee of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the Grantee's service contract with the Group, the date of cessation of his employment with the Group;

(ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the Grantee, or conviction of the Grantee of any criminal offence involving his integrity or honesty;

(ff) the date on which the Board exercises the Company's right to cancel, revoke or terminate the Option on the ground that the Grantee commits a breach of paragraph (x) in respect of that or any other Option; or

(gg) subject to the compromise or arrangement as referred to in paragraph (xvi) becoming effective, the date on which such compromise or arrangement becomes effective.

(xxiv) Disclosure in annual and interim reports

The Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period, vesting period and (if appropriate) a valuation of options granted during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

(xxv) Present status of the Share Option Scheme

As of the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee for the Listing and permission to deal in the Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

(xxvi) Others

(aa) The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the grantees or the prospective grantees of the options except with the approval of the Shareholders in general meeting.

(bb) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any change to the authority of the Directors or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by the Shareholders in general meeting.

E. OTHER INFORMATION

14. Tax and other indemnities

Each of Mr. Cheng, Mrs. Cheng, Century Win and Dragon Fortune (collectively, the "**Indemnifiers**") has entered into a deed of indemnity with and in favour of the Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in paragraph 7 of this Appendix VI) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for tax which might be incurred by any member of the Group (as defined in the Listing Rules) on or before the Listing Date. The Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries under the laws of the Cayman Islands, BVI, the United States, Germany, Luxembourg and the PRC, being jurisdictions in which one or more of the companies comprising the Group are incorporated.

Under the deed of indemnity, the Indemnifiers have also given indemnities to the Group on a joint and several basis in relation to the amount of any and all taxation which might be payable by any member of the Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event or transaction entered into or occurring on or before the Listing Date.

The deed of indemnity does not cover any claim and the Indemnifiers shall be under no liability under the deed of indemnity in respect of any taxation:

(a) to the extent that provision has been made for such taxation in the combined audited accounts of the Company or the audited accounts of the relevant Group members up to 31 August 2010; or

(b) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of the Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) otherwise than in the course of normal day to day operations of that company or carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date;

(c) to the extent that any provision or reserve made for taxation in the audited accounts of any member of the Group up to 31 August 2010 which is finally established to be an over-provision or an excessive reserve;

(d) to the extent that such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws rules or negotiations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority coming into force after the Listing Date or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after such date with retrospective effect; or

(e) for any penalty imposed on any member of the Group under section 42 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong by reason of any member of the Group defaulting, at any time after the date hereof, in any obligation to give information to the Commissioner under section 42(1) of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent authority thereof under the laws of any jurisdiction outside Hong Kong, but the Indemnifiers shall be liable for any interest on unpaid estate duty.

15. Litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

16. Sponsor

The Sponsor has made an application for and on behalf of the Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; and (b) the exercise of options which may be granted under the Share Option Scheme, representing 10% of the Shares in issue on the Listing Date.

17. Compliance adviser

In accordance with the requirements of the Listing Rules, the Company will appoint China Merchants Securities as its compliance adviser to provide advisory services to the Company to ensure compliance with the Listing Rules for a period commencing on the Listing Date and ending on the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year after the Listing Date.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately US$5,000 (equivalent to approximately HK$38,875) and are payable by the Company.

19. Promoters

The Company has no promoter.

20. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

Name	Qualification
China Merchants Securities	a licensed corporation to conduct types 1 (dealing in securities), 2 (dealing in futures contracts), 4 (advising on securities), 6 (advising on corporate finance) and 9 (asset management) regulated activities (as set out in Schedule 5 of the SFO)
RSM Nelson Wheeler	Certified public accountants
Appleby	Legal advisers to the Company as to Cayman Islands law
King & Wood PRC Lawyers	Legal advisers to the Company as to PRC law
Stoel Rives LLP	Legal advisers to the Company as to US law
Beiten Burkhardt Rechtsanwaltsgesellschaft mbH	Legal advisers to the Company as to German law
DSM DI STEFANO MOYSE Avocats à la Cour	Legal advisers to the Company as to Luxembourg law
DTZ Debenham Tie Leung Limited	Property valuer

21. Consents of experts

Each of China Merchants Securities, RSM Nelson Wheeler, Appleby, King & Wood PRC Lawyers, Stoel Rives LLP, Beiten Burkhardt Rechtsanwaltsgesellschaft mbH, DSM DI STEFANO MOYSE Avocats à la Cour and DTZ Debenham Tie Leung Limited has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

22. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

23. Taxation of holders of Shares

(a) Hong Kong

(i) Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax, which is currently imposed at the rate of 16.5% on corporations and at a rate of 15% on unincorporated businesses. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) Stamp duty

Hong Kong stamp duty will be payable by the purchaser on every purchase and by the seller on every sale of the Shares. The duty is charged at the current rate of 0.2% of the consideration or, if higher, the fair value of the Shares being sold or transferred (the buyer and seller each paying half of such stamp duty). In addition, a fixed duty of HK$5 is currently payable on any instrument of transfer of shares.

(iii) Estate duty

Estate duty has been abolished in Hong Kong by the Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong), and the Shares are regarded as Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK$7.5 million shall be a nominal amount of HK$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) The Cayman Islands

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of the Company, the Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

24. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

25. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of the Company or of any of its subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;

(cc) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(ii) the Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Group since 31 August 2010 (being the date to which the latest audited combined financial statements of the Group were made up); and

(iii) there has not been any interruption in the business of the Group which has had a material adverse effect on the financial position of the Group in the 24 months preceding the date of this prospectus.

(b) Save as disclosed in this prospectus, neither the Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(c) Save as disclosed in this prospectus, none of the persons named in the paragraph headed "Consents of experts" in Appendix VI to this prospectus is interested beneficially or non-beneficially in any shares in any member of the Group or has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any share in any member of the Group.

(d) No company within the Group is presently listed on any stock exchange or traded on any trading system.

(e) Subject to the provisions of the Companies Law, the principal register of members of the Company will be maintained in the Cayman Islands by Butterfield Fulcrum Group (Cayman) Limited and a branch register of members of the Company will be maintained in Hong Kong by Tricor Investor Services Limited. Unless the Directors otherwise agree, all transfers and other documents of title of the Shares must be lodged for registration with and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

(f) The Directors have been advised that, under the Companies Law, the use of a Chinese name by the Company in conjunction with its English name does not contravene the Companies Law.

(g) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

(h) The English text of this prospectus shall prevail over the Chinese text.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of the **WHITE**, **YELLOW** and **HK eIPO White** Application Forms, the written consents referred to under the paragraph headed "Consents of experts" in Appendix VI to this prospectus, copies of the material contracts referred to in the paragraph headed "Summary of material contracts" in Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of D. S. Cheung & Co. of 29/F., Bank of East Asia, Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, during normal business hours up to and including 28 January 2011:

(a) the Memorandum and the Articles of Association of the Company;

(b) the accountants' report of the Company prepared by RSM Nelson Wheeler, the text of which is set out in Appendix I to this prospectus;

(c) the audited combined financial statements of the companies comprising the Company and the subsidiaries for each of the three financial years ended 31 December 2009 and the eight months ended 31 August 2010;

(d) the letter from RSM Nelson Wheeler in relation to the unaudited pro forma financial information of the Group, the text of which is set out in Appendix II to this prospectus;

(e) the letters relating to profit estimate of the Company, the text of which are set out in Appendix III to this prospectus;

(f) the valuation report relating to the property interests of the Group prepared by DTZ the text of which is set out in Appendix IV to this prospectus;

(g) the Companies Law;

(h) the letter dated the date of this prospectus prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix V to this prospectus;

(i) the legal opinions dated the date of this prospectus prepared by the PRC Legal Advisers in respect of certain aspects of the Group and the property interests of the Group in the PRC;

(j) the legal opinion dated the date of this prospectus prepared by Beiten Burkhardt Rechtsanwaltsgesellschaft mbH in respect of certain aspects of the Group in Germany;

(k) the legal opinion dated the date of this prospectus prepared by Stoel Rives LLP in respect of certain aspects of the Group in the United States;

(l) the legal opinion dated the date of this prospectus prepared by DSM DI STEFANO MOYSE Avocats à la Cour in respect of certain aspects of the Group in Luxembourg;

(m) the material contracts referred to under the paragraph headed "Summary of material contracts" in Appendix VI to this prospectus;

(n) the written consents referred to under the paragraph headed "Consents of experts" in Appendix VI to this prospectus;

(o) the rules of the Share Option Scheme; and

(p) the service contracts referred to in the sub-paragraph headed "Particulars of service contracts" under the paragraph headed "Further information about Directors Management and Staff" in Appendix VI to this prospectus.

TELEFIELD™

Telefield International (Holdings) Limited

中慧國際控股有限公司